



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Stock Code : 363)



ANNUAL REPORT 2014



CONTENTS

Corporate Information	2
Information for Shareholders	3
Chairman's Statement	4
Group Business Structure	10
Business Review, Discussion and Analysis	12
Financial Review	28
Corporate Governance Report	35
Environmental, Social and Governance Report	46
Directors' and Senior Management Profiles	55
Directors' Report	62
Independent Auditor's Report	71
Consolidated Statement of Profit or Loss	73
Consolidated Statement of Profit or Loss and Other Comprehensive Income	74
Consolidated Statement of Financial Position	75
Statement of Financial Position	77
Consolidated Statement of Changes in Equity	78
Consolidated Statement of Cash Flows	81
Notes to the Consolidated Financial Statements	84
Financial Summary	188
Particulars of Major Properties held for investment purposes	189
Glossary of Terms	191

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wang Wei (*Chairman*)
 Mr. Zhou Jie (*Vice Chairman & Chief Executive Officer*)
 Mr. Lu Shen (*Executive Deputy CEO*)
 Mr. Zhou Jun (*Deputy CEO*)
 Mr. Xu Bo (*Deputy CEO*)

Independent Non-Executive Directors

Dr. Lo Ka Shui
 Prof. Woo Chia-Wei
 Mr. Leung Pak To, Francis
 Mr. Cheng Hoi Chuen, Vincent

BOARD COMMITTEES

Executive Committee

Mr. Wang Wei (*Committee Chairman*)
 Mr. Zhou Jie
 Mr. Lu Shen
 Mr. Zhou Jun
 Mr. Xu Bo

Audit Committee

Mr. Cheng Hoi Chuen, Vincent (*Committee Chairman*)
 Prof. Woo Chia-Wei
 Mr. Leung Pak To, Francis

Remuneration Committee

Dr. Lo Ka Shui (*Committee Chairman*)
 Prof. Woo Chia-Wei
 Mr. Leung Pak To, Francis
 Mr. Cheng Hoi Chuen, Vincent
 Mr. Li Han Sheng
 Mr. Guo Fa Yong

Nomination Committee

Dr. Lo Ka Shui (*Committee Chairman*)
 Prof. Woo Chia-Wei
 Mr. Leung Pak To, Francis
 Mr. Cheng Hoi Chuen, Vincent
 Mr. Li Han Sheng
 Mr. Guo Fa Yong

COMPANY SECRETARY

Mr. Yee Foo Hei

QUALIFIED ACCOUNTANT

Mr. Lee Kim Fung, Edward

AUTHORISED REPRESENTATIVES

Mr. Zhou Jie
 Mr. Yee Foo Hei

REGISTERED OFFICE

26th Floor, Harcourt House,
 39 Gloucester Road, Wanchai, Hong Kong

COMPANY STOCK CODE

Stock Exchange : 363
 Bloomberg : 363 HK
 Reuters : 0363.HK
 ADR : SGHIY

COMPANY WEBSITE

www.sihl.com.hk

AUDITOR

Deloitte Touche Tohmatsu

ADR DEPOSITORY BANK

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 BNY Mellon Shareowner Services
 P.O. Box 358516,
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 Toll free (USA) : (1) 888 BNY ADRS
 Website : www.bnymellon.com/shareowner
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INFORMATION FOR SHAREHOLDERS

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Company Secretarial

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Facsimile : (852) 2863 0408

Investor Relations

Telephone : (852) 2821 3936
Facsimile : (852) 2866 2989

Share Registrar

Tricor Secretaries Limited

Address : 22nd Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2861 1465

Our Website

Press releases and other information of the Group can be found at our website: www.sihl.com.hk.

DIVIDEND

Proposed 2014 final dividend of HK45 cents (2013: HK45 cents) per share will be paid to shareholders on or about Monday, 15 June 2015 subject to shareholders' approval.

Subject to approval by shareholders of the final dividend and together with the 2014 interim dividend of HK45 cents (2013: HK42 cents) per share paid during the year, total dividends for the year amounts to HK90 cents (2013: HK87 cents) per share.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 27 May 2015 to Thursday, 28 May 2015, both days inclusive, during which period no transfer of shares will be effected. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar by 4:30 p.m. on Tuesday, 26 May 2015.

For the purpose of determining shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Thursday, 4 June 2015, no transfer of shares will be effected on that day. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar by 4:30 p.m. on Friday, 5 June 2015.

FINANCIAL CALENDAR

2014 interim results announced	28 August 2014
2014 final results announced	30 March 2015
Despatch of 2014 annual report	on or about 15 April 2015
2015 annual general meeting	28 May 2015
Ex-dividend date for 2014 final dividend	3 June 2015
Record date for 2014 final dividend	5 June 2015
Despatch of notice of 2014 final dividend	on or about 15 June 2015

CHAIRMAN'S STATEMENT



Wang Wei
Chairman

SIGNIFICANT OPERATING PROFIT GROWTH ACHIEVED WITH STRINGENT MANAGEMENT CONTROL

I am pleased to report to our shareholders our results for 2014.

In 2014, the global economy changed rapidly. Due to obvious recessions in the economies in those regions and countries like Europe, Japan and Russia, etc. as well as anticipated rises in US interest rates, the respective currencies fell strongly against the dollar. The Chinese economy has entered into a new normal with adjustments in the real estate market, causing the economic environment to become volatile and difficult. Against this scenario, in accordance with the strategic targets established for the year and under the leadership of the Board and the management, the Group has actively promoted the integration of finance and business operation and strengthened the allocation of its resources in an innovative way. Such

efforts have been able to optimize the asset structure of the Group, promote business cooperation and synergy among member companies and raise the level of its strategic control and internal monitoring capacity. As a result, the Group has been able to maintain steady and sustainable development for its core businesses and achieved considerable growth for its operating results.

For the year ended 31 December 2014, the Group realized net profits of HK\$3,069 million, representing an increase of 13.6% over last year having benefitted from gains from the disposal of our entire equity interest in lot E of the Qingpu District in Shanghai. Total revenue amounted to HK\$19,967 million, representing a decrease of 7.4%.

The Board of Directors has recommended a final dividend of HK45 cents (2013: HK45 cents) per share for 2014. Together with the interim dividend of HK45 cents (2013: HK42 cents) per share paid during the year, total dividends for the year amounted to HK90 cents (2013: HK87 cents) per share.

Throughout the year, the Group has maintained steady developments for its three core businesses. Of this, the toll roads segment maintained steady growth overall in toll revenue and traffic flow and generated strong cash flow for the Group with further enhancements in management. Profit from the water services business rose significantly due to profit contributions from the newly acquired projects. The scale of operation of the business has also expanded rapidly through efficient capital operation and integration and upgrades of assets and business. The infrastructure facilities business recorded profits of HK\$1,140 million, representing a year-on-year increase of 12.3%.

The real estate business realized a net profit of HK\$1,209 million, representing an increase of 63.8%, of which, gains of HK\$1,191 million were recorded from the disposal of the Group's entire equity interest in lot E of the Qingpu District in Shanghai. During the year, the Group was committed to optimizing the asset structure of its real estate business, redistribute its regional planning and revitalize its assets in order to release the value of its land bank as well as to accelerate its property development. All such efforts have helped to create long-term profits for the Group.

The consumer products business continued to grow steadily with net profits reaching HK\$1,079 million for the year, representing a year-on-year increase of 7.7%. The sales volume, operating revenue and net profit of Nanyang Tobacco all realized satisfactory growth by focusing on high value-added products and effectively adjusting product mix; Wing Fat Printing continued to optimize its business structure, enhance its internal control and dedicated to enhance product quality and team building of its pulp moulding operations. Development strategies for related businesses were pushed forward on schedule aimed at broadening its sources of earnings.

In 2014, the Group continued to capitalize on favorable market opportunities. A syndicated loan of HK\$4,000 million, a club loan of US\$300 million and a placement financing of S\$158 million were successfully completed by the Group, SI Urban Development and SI Environment respectively to finance the Group's business development, optimize its capital structure and introduce strategic investors.

CHAIRMAN'S STATEMENT

SUSTAINABLE GROWTH RECORDED IN INFRASTRUCTURE BUSINESS AND THE SCALE OF WATER SERVICES CONTINUES TO EXPAND

With strong management initiatives, the Group achieved steady growth in overall traffic flow and toll revenue for its three quality expressways despite impacts from slow domestic macroeconomic growth, changes in the distribution of traffic flow of certain expressways and respective toll policies. During the year, the Group has been able to maintain a strong cash flow with profits at almost the same level as last year as taxation privilege enjoyed by Hu Ning Expressway was reduced. Operation and management of the expressways were further improved and better road maintenance and monitoring were introduced to ensure smooth traffic flow and enhance operational efficiency. The Group will continue to explore further opportunities to expand the scale of its investments in the toll roads business in order to strengthen the profitability of this core business.

The scale of the Group's water assets was also expanded. During the year, SI Environment announced its acquisition of a 25.3125% interest of Longjiang Environmental, which is one of the largest integrated operators of water supply and water discharge, for RMB405 million, on top of an existing interest of 16.7969% held by the Group, bringing an aggregate of 42.1094% controlling interest. The placement of new shares with proceeds of S\$158 million was completed, and a group of independent investors were introduced. Taking into account contributions from SI Environment and General Water of China, the Group has been able to strengthen its overall production and operation of its water business, reaching a total daily operating capacity of over 11,470,000 tonnes. The Group will further expand the assets of its water investment and enhance its overall operational capability and market competitiveness.

The Group has also extended its business arena through Shanghai Galaxy, a 50:50 joint venture with SIIC Shanghai. During the year, Shanghai Galaxy continued to expand its investment in environmental clean energy projects. Following investments in the 50MW photovoltaic power station in Gaotai, Gansu and 100MW photovoltaic power station in Jiayuguan in the past year, Shanghai Galaxy actively engaged in this new scope of investments and further acquired new photovoltaic power projects in Gangcha County of Qinghai, Zhongwei City and Ningdong City of Ningxia and Yiwu Province of Xinjiang with 170MW in total this year.



RISING PROFITS FROM REAL ESTATE BUSINESS WHILE ASSET POTENTIAL CONTINUES TO BE REALIZED

In 2014, the Company and SI Development completed the disposal of their entire interest in lot E of the Qingpu District to Shanghai City Land Group and its subsidiary, which generated a profit of approximately HK\$1,191 million for the Group.

During the year, following the successful swapping of four pieces of land in Binjiang, Xuhui District in last year, SI Urban Development continued to revitalize its assets, prioritized the development of promising projects in the Yangtze River Delta area and coastal cities, introduced strategic partners and accelerated the development of projects. The Xinzhuang Metro Superstructure project, a key office and commercial project, has commenced operation in 2014. The Bingjiang U Center, which covers a large city complex for office, commercial, cultural and entertainment, is expected to finish planning review and approval soon and enter into the construction stage. Upon completion, it will become a new city landmark for the Xuhui Binjiang district.

In September, SI Urban Development acquired ShanghaiMart project (with a total gross floor area of over 280,000 square meters) jointly established by Shanghai Hongqiao Economic & Technological Co., Ltd. in cooperation with Nan Fung group from an independent third party for a total consideration of US\$579.30 million, in which SI Urban Development held a 51% interest. In 2014, SI Development successfully acquired a parcel of land in the Minhang District of Shanghai as well as the ShanghaiMart project, which represents an important step for the company to further consolidate its strategic presence in the city.



CHAIRMAN'S STATEMENT

Furthermore, SI Urban Development disposed of 40% interest of the Beichen District project in Tianjin and its investments in Yanjiao, Hebei Province for a consideration of RMB366 million and RMB940 million in December 2014 and February 2015, respectively. As a result, its assets were further revitalized and its investments from non-strategic developments were further withdrawn.

During the year, SI Development successfully bid four land plots located at Jiading New Town in Shanghai and Yuhang District in Hangzhou, and introduced partners to strengthen risk aversion capability of the projects. In May 2014, SI Development and a subsidiary under SIIC, jointly contributed capital and set up a platform company in the Shanghai Free Trade Zone, in which SI Development holds a 38% interest, investing in the retirement sector, to invest in this new real estate development sector.

MAKING BREAKTHROUGHS IN CONSUMER PRODUCTS BUSINESS TO FURTHER IMPROVE OPERATING EFFICIENCY

In line with its three strategic goals of "development of new products, expansion of markets and improvement in technology", Nanyang Tobacco has focused on cultivating high-value-added products, continued to improve equipment and technology to break through production bottlenecks and further reduce cost, enhance efficiency and develop new markets, thereby achieving steady growth in profit.

Wing Fat Printing has engaged itself to actively study plans for optimizing its business structure and entry to the new business area of pulp mold packaging industry, in accordance with its strategic development target to realize overall business transformation and upgrading. In June, Wing Fat Printing acquired a total of 100% equity interest of Wing Fat Molded Fiber (formally known as Shengli Medical) from a subsidiary of SIIC and an independent party at a consideration of RMB11.34 million to develop high-end pulp mold packaging business, improve product quality and enhance team building in order to break through business development constraints to create a new source of earnings growth.



PROSPECTS

Looking forward to 2015, given the downturn in both domestic and global real economies, the Group is still facing different challenges for its business development. To overcome this, the Group must take active measures to boost the integration of business operation and finance, push forward reforms and innovation, allocate resources from a broader perspective and further optimize its asset and business structure.

As for the infrastructure facilities business, we will acquire projects that are considered favorable for toll roads while for the infrastructure environment business, including water services, solid waste treatment and photovoltaic power generation, we will continue to expand our capital scale through effective financing channels, proceed steadily with our expansion plans and further strengthen our operations to enhance competitiveness.

For the real estate business, we will manage to optimize our asset and financial structures, make the best use of our funds and continue to revitalize our assets. We will steadily promote the development of projects under construction, accelerate the turnover of property inventory of completed buildings and determine the strategic positioning of development of commercial properties. We will also strengthen our cooperation with strategic partners and make better control of the development progress of our projects and closely monitor capital risk.

In the area of consumer products business, Nanyang Tobacco will continue to promote equipment upgrading, optimize its product structure, promote its brands, expand its markets and further enhance profitability. Wing Fat Printing needs to enhance its marketing work, improve the quality of pulp mold products and team building from a broader perspective and break through bottlenecks for its business development so as to achieve new areas for profit growth and to facilitate sustainable development in the business segment.

Finally, on behalf of the Board of Directors, I wish to thank our shareholders and business partners for their continued patronage and support to the Group, and extend my sincere gratitude to our management team and staff members for their dedication and contributions in the development of our business.

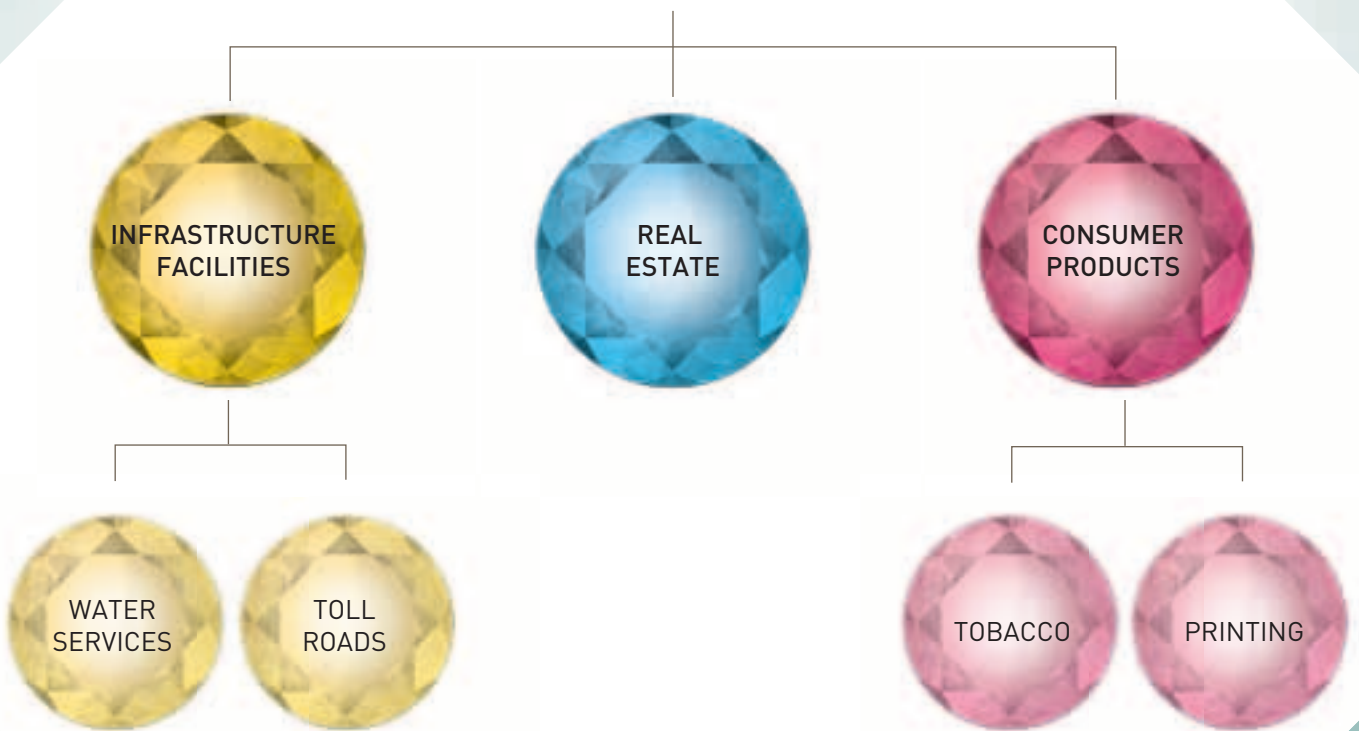


Wang Wei
Chairman

Hong Kong, 30 March 2015

GROUP BUSINESS STRUCTURE

As at 30 March 2015



INFRASTRUCTURE FACILITIES

Business	Interests held by the Group	Company name	Principal business
Toll roads	100%	Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.	Operation of Jing-Hu Expressway (Shanghai Section)
	100%	Shanghai Luqiao Development Co., Ltd.	Operation of Hu-Kun Expressway (Shanghai Section)
	100%	Shanghai Shen-Yu Development Co., Ltd.	Operation of Hu-Yu Expressway (Shanghai Section)
Water services	41.85%	SIIC Environment Holdings Ltd. (5GB SGX)	Water supply and sewage treatment
	45%	General Water of China Co., Ltd.	Water supply and sewage treatment

REAL ESTATE

Business	Interests held by the Group	Company name	Principal business
Real estate	69.95%	Shanghai Industrial Urban Development Group Limited (563 HKSE)	Property development and investment
	63.65%	Shanghai Industrial Development Co., Ltd. (600748 SSE)	Property development and investment

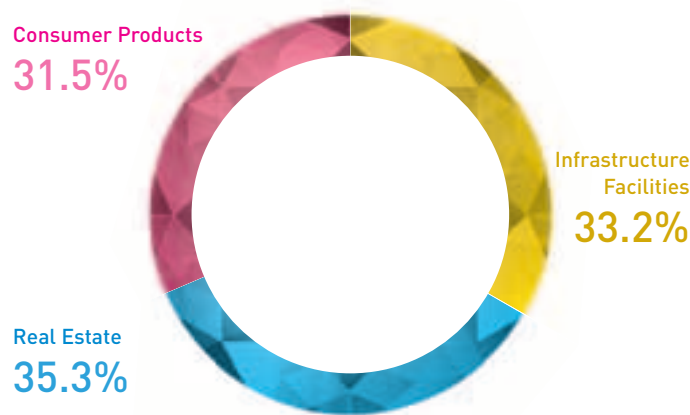
CONSUMER PRODUCTS

Business	Interests held by the Group	Company name	Principal business
Tobacco	100%	Nanyang Brothers Tobacco Company, Limited	Manufacture and sale of cigarettes
Printing	93.72%	The Wing Fat Printing Company, Limited	Manufacture and sale of packaging materials and printed products

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

For the year ended 31 December 2014, the Group recorded an audited profit attributable to shareholders of HK\$3,069 million, representing a 13.6% increase over the previous year. Profits included considerable gains arising from the disposal of lot E of the Qingpu District in Shanghai during the year. Revenue amounted to HK\$19,967 million, representing a decline of 7.4%. The Group's core business maintained stable growth with its various projects in orderly progress. The results of the Group's different business sectors have made steady growth and their respective targets established for the year have been realized.

Profit contribution from the Group's core business



INFRASTRUCTURE FACILITIES

In 2014, the infrastructure facilities business recorded profits of HK\$1,140 million, representing an increase of 12.3% over last year and accounting for approximately 33.2% of the Group's Net Business Profit. During the year, the Group further increased its investments in the infrastructure facilities business in a steady pace. Satisfactory earnings were realized and a healthy cash flow was maintained.



Toll Roads

The Group's three toll roads were in smooth operation. By means of reducing costs, raising efficiency and enhancing road capacity, toll revenue and traffic flow maintained stable growth on the whole throughout the year. With the waiver of tolls for small passenger cars on major festive days, the Group has made special arrangements for its toll roads to ensure smooth traffic flow. The key operating data of our three toll roads are as follows:

Toll roads	Net profit from project company	Changes	Toll revenue	Changes	Traffic flow (vehicle journeys)	Changes
Jing-Hu Expressway (Shanghai Section)	HK\$315 million	-6.9%	HK\$637 million	-2.4%	42.11 million	+4.8%
Hu-Kun Expressway (Shanghai Section)	HK\$375 million	+1.0%	HK\$976 million	+3.9%	47.13 million	+8.3%
Hu-Yu Expressway (Shanghai Section)	HK\$169 million	+7.1%	HK\$531 million	+5.4%	37.49 million	+8.3%
Total	HK\$859 million	-1.0%	HK\$2,144 million	+2.3%	126.73 million	+7.1%

Due to the slower growth of the economy and changes in the distribution of traffic flow after the Hu-Chang Expressway and Hu-Xiang Expressway were in service, the growth of traffic flow of the Hu-Ning Expressway (Shanghai Section) declined during 2014. The decline in net profit for the year was mainly due to the reduction of tax concessions since the beginning of the year and the smaller proportion of trucks and bigger proportion of short-distance vehicles using the expressway. The project company will pay close attention to the traffic flow, and will continue to enhance traffic capacity and improve road maintenance. The distribution of traffic flow of passenger cars and trucks at the main toll collection lane of Anting station and the congestion prevention work at Jiasong station were completed at the beginning of the year, which has effectively reduced traffic congestions.

Facing a macroeconomic downturn, the implementation of toll reduction policies, a decline in growth of the proportion of lorries, the construction of the Dazheng port bridge and other adverse factors, active measures were taken to reduce road congestions and maintain smooth traffic flow for the Hu-Kun Expressway (Shanghai Section), including managing and controlling free passage of green agricultural vehicles at road junctions, increasing manpower at peak periods, devising plans to cope with severe weather and improving overall service satisfaction. As a result of this, toll revenue for the year recorded steady growth. The construction of the Dazheng port bridge jacking up project progressed smoothly. Phase I of the project was completed and put into operation during the year and phase II commenced construction in October.

During the year, Hu-Yu Expressway (Shanghai Section) maintained growth for both toll revenue and traffic flow in 2014. The alteration work for Jiasong toll station has completed and put into service with five additional exit lanes. Following the expansion, congestion problems at the station were resolved and the number of tickets sold increased significantly. The constant arrangement of toll collector contests throughout the past few years has helped to enhance operational capability and quality service for the expressway. During the year, the western part of the road was reinforced and some sections of the bridge and road were improved, resulting in the overall enhancement of the quality and efficiency of the expressway. With the application of the portal frame and lane automatic counting facilities, the toll-free operation for small passenger cars has been well secured.

Water services

During the year, the Group continued to expand the scale of investments in water services, primarily on sewage treatment and solid waste projects. It also continued to acquire potential projects at the right time and further upgrade the operation of its existing assets.

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

SI Environment

SI Environment recorded a revenue of RMB1,288 million for 2014, representing a year-on-year growth of 6.0%; net profit was RMB262 million, a substantial increase of 74.8%. The growth was mainly attributed to the consolidation of the business results of several project companies, the acquisitions of which were completed during the year. A new share placement was made in July following the completion of the placement of 3.1 billion new shares in 2013, raising proceeds of S\$260 million and S\$158 million respectively from the two placements. Upon completion of the placements, the Group's interest in SI Environment was diluted from 46.72% to 41.85%, but it is still treated as a subsidiary of the Company, and the results of which are consolidated in the accounts of the Company.

In June, SI Environment announced its acquisition of a 25.3125% interest of Longjiang Environmental, the largest integrated water supply and water discharge operator in Heilongjiang Province, at a total consideration of RMB405 million. The acquisition was completed in the second half of the year. Following the completion of the entire transaction, the Group will control 42.1094% of Longjiang Environmental, rising from 16.7969% already held by it. During the year, SIE Water, a 75.5% subsidiary of SI Environment, entered into an agreement with Dalian Municipal Government, and obtained a 22-year franchise for the sewage treatment plant in Dalian Bay (with daily sewage treatment capacity of 40,000 tonnes). Two water services and water purification project companies located at Dongguan were also acquired in August at approximately RMB78.57 million and RMB87.98 million, respectively. The acquisitions were completed in September 2014. In December, SI Environment entered into an agreement with Wuhan Municipal Government for the investment of approximately RMB722 million in an alteration construction project in Hanxi. With the completion of the alteration, the daily sewage treatment capacity of the project will increase to 600,000 tonnes from the current 400,000 tonnes and the discharge standard will rise from second level to B standard of first level.

In November 2014, SI Environment entered into an agreement with the Yinchuan Municipal Government and undertook (i) a BOT franchise project of a sewage treatment plant in Binhe New District with a designed daily capacity of 50,000 tonnes plus a reclaimed water treatment project with a daily capacity of 50,000 tonnes at a later stage, and (ii) a TOT franchise project of sewage treatment plant No. 5 in Yinchuan with a designed daily capacity of 50,000 tonnes plus a BOT sewage water treatment phase II project with a daily capacity of 50,000 tonnes. Both projects have a franchise period of 30 years. In December, SI Environment as cornerstone investor through its wholly-owned subsidiary subscribed for approximately 3.3% of Canvest Environmental Protection Group Company Limited upon its listing on the Main Board of the Hong Kong Stock Exchange. This investment will strengthen the strategic cooperation opportunity of the existing waste incineration business of SI Environment.



In March 2015, SI Environment announced its acquisition of a 92.15% equity interests in Fudan Water from an independent party, at a total consideration of RMB1,548 million, to be payable partially by cash and by the allotment and issue of 1.56 billion ordinary shares of SI Environment. Fudan Water has 10 sewage treatment projects in the PRC, located in Shanghai, Jiangsu, Zhejiang and Guangdong Provinces, with a daily capacity of over 1 million tonnes. Upon completion of the acquisition, the Group's interests in SI Environment will be diluted from 41.85% to 35.99%, but SI Environment will still be treated as a subsidiary of the Company, and its results will be consolidated in the accounts of the Company. In the future, SI Environment will continue to expand its business scale through internal growth and external mergers and acquisitions, explore financing channels at good timing, strengthen the leverage effect and strive to enhance the brand and brand awareness of the company.

General Water of China

General Water of China recorded a revenue of HK\$1,794 million for the year of 2014, representing an increase of 13.8% year-on-year. Net profit was HK\$78.43 million, a year-on-year increase of 39.5%. As at the end of 2014, the company owned 25 water supply facilities and 19 sewage treatment plants with a total daily capacity of 6,059,000 tonnes, among which, daily water production capacity totaled 3,935,000 tonnes and daily sewage treatment capacity was 2,124,000 tonnes, and two reservoirs with a gross storage tank volume of 182.32 million tonnes and a pipe network of 5,200 kilometers in total. General Water of China has been awarded the 'Top 10 Most Influential Enterprises in China's Water Industry' for the 12th consecutive year, ranking 6. In December 2014, shareholders from both sides have agreed to make capital contributions into General Water of China, resulting in an increase in registered capital from approximately RMB1,667 million to RMB2,333 million. As a result, the financial strength of General Water of China should be further enhanced and its water treatment business further strengthened, both of which are expected to help improve profitability.

During the year, a wholly-owned subsidiary of General Water of China signed a supplemental agreement with Xiangtan Municipal Government on quality enhancement and transformation for the franchise contract of the sewage treatment plant phase I project on the east of the river in Xiangtan. The daily capacity of the project is 100,000 cubic meters. In October, General Water of China set up a joint venture company with the Guzhen County Government. The project has a daily water supply capacity of 140,000 tonnes and a daily sewage treatment capacity of 80,000 tonnes, in which General Water of China and its subsidiary accounted for 60%. The daily capacity of water purification plant No. 3 in Suifenhe City was 80,000 tonnes, and the total length of the water pipeline was 30 kilometers. The project was completed and put into use in October 2014. The central sludge drying and incineration project in Wenzhou was basically completed by the end of the year.

Details of the water development projects of the Group as at 31 December 2014 are as follows:

Province	Projects of SI Environment	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress	
Sewage treatment projects/Reclaimed water treatment projects						
1	Fujian	Sewage treatment plant BOT project in Longmen Town, Anxi, Quanzhou	Sewage treatment	25,000	76.419%	<ul style="list-style-type: none"> Phase 1 project is in operation. Phase 1 project is yet to commence construction.
2	Guangdong	Sewage treatment plant BOT project in Dalang, Donguan	Sewage treatment	100,000	75.5%	The project is in operation.
3	Guangdong	Phase I and phase II of water treatment project in Meihu, Huizhou	Sewage treatment	200,000	76.419%	This project is in operation.
4	Guangdong	Sewage treatment projects in Longgang District, Shenzhen	Sewage treatment	280,000	76.419%	The project is in operation.
5	Guangdong	Water recycling plant project in Henggang, Shenzhen	Reclaimed water treatment	50,000	76.419%	<ul style="list-style-type: none"> Phase 1 project is in operation. Phase 2 project is under construction.
6	Guangdong	Sewage treatment plant project in Banxuegang, Shenzhen	Sewage treatment	40,000	76.419%	The project is in operation.

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress	
7	Guangdong	Sewage treatment plant project in Guanlan, Shenzhen	Sewage treatment	260,000	45.851%	The project is in operation.
8	Guangdong	Sewage treatment contingency works entrustment project in Guanlan River, Shenzhen	Sewage treatment	400,000	45.851%	The project is in operation.
9	Guangdong	Sewage treatment plant TOT project in Wuchuan, Zhanjiang	Sewage treatment	40,000	76.419%	The project is in operation.
10	Guangdong	Sewage treatment plant BOT project in Shayao, Shijie	Sewage treatment	60,000	75.5%	The project is in operation.
11	Guangdong	Sewage treatment plant in Yantian, Fenggang, Dongguan	Sewage treatment	50,000	75.5%	The project is in operation.
12	Guangxi	City sewage treatment plant BOT project in Beiliu	Sewage treatment	40,000	75.5%	The project is in operation.
13	Henan	Sewage treatment plant BOT project in Dongcheng District, Luohe	Sewage treatment	20,000	75.5%	The project is in operation.
14	Hubei	Sewage treatment project in Cihu, Huangshi	Sewage treatment	125,000	100%	The project is in operation.
15	Hubei	Sewage treatment project in Hanxi, Wuhan	Sewage treatment	600,000	80%	<ul style="list-style-type: none"> Phase 1 project is in operation. Phase 1 upgrading project and phase 2 expansion project are under construction.
16	Hubei	Sewage treatment project in Qianchuan, Wuhan	Sewage treatment	30,000	100%	The project is in operation.
17	Hubei	Sewage treatment project in Panlong, Wuhan	Sewage treatment	45,000	100%	<ul style="list-style-type: none"> Phase 1 project is in operation. Phase 2 expansion project is under construction.
18	Hubei	Sewage treatment project in the Wuhan City Economic Zone	Sewage treatment	60,000	100%	The project is in operation.
19	Hunan	Sewage treatment BOT project in Linwu, Chenzhou	Sewage treatment	10,000	15.284%	The project is in operation.
20	Hunan	Sewage treatment project in Chenzhou	Sewage treatment	120,000	76.419%	The project is in operation.
21	Hunan	Sewage treatment plant BOT project in Taohuaijiang, Taojiang	Sewage treatment	20,000	75.5%	The project is in operation.
22	Hunan	Sewage treatment plant BOT project in the new zone of eastern Gaoxin District, Yiyang	Sewage treatment	30,000	75.5%	The project is in operation.
23	Hunan	Sewage treatment plant BOT project in northern Yiyang	Sewage treatment	40,000	75.5%	The project is in operation.
24	Jiangsu	Sewage treatment franchise and sewage treatment plant BOT project at Newport Park, Jingjiang	Sewage treatment	80,000	76.419%	<ul style="list-style-type: none"> Phase 1 project is in operation. Phase 2 project is yet to commence construction.
25	Jiangsu	Sewage treatment plant project in southern Shuyang	Sewage treatment	60,000	76.419%	<ul style="list-style-type: none"> Phase 1 project is in operation. Phase 2 project is yet to commence construction.
26	Jiangsu	Sewage treatment plant franchise project in Huangqiao, Taixing	Sewage treatment	50,000	76.419%	<ul style="list-style-type: none"> Phase 1 project is in operation. Phase 2 project is yet to commence construction.

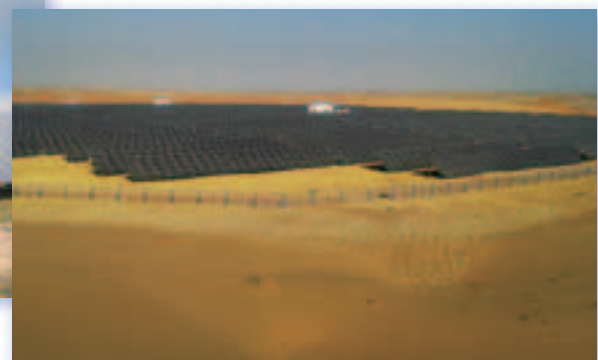
	Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress
27	Liaoning	Sewage treatment plant in Puwan New Area, Dalian	Sewage treatment	50,000	92.65%	<ul style="list-style-type: none"> • 30,000 tonnes of the project are under construction. • The remaining 20,000 tonnes are yet to commence construction.
28	Liaoning	Sewage treatment plant BOT project in Dalian Bay	Sewage treatment	40,000	75.5%	The project is under construction.
29	Ningxia Hui Autonomous Region	Sewage treatment plant No. 5 project in Yinchuan	Sewage treatment	100,000	100%	<ul style="list-style-type: none"> • Sewage treatment No. 5 TOT project in Yinchuan (50,000 tonnes/day) is in operation. • The construction of sewage treatment No. 5 BOT project in Yinchuan (50,000 tonnes/day) is yet to commence construction.
30	Ningxia Hui Autonomous Region	Sewage treatment plant BOT project in Binhe New Zone, Yinchuan	Sewage treatment	50,000	100%	The project is under construction.
31	Ningxia Hui Autonomous Region	Sewage treatment plant with reclaimed water treatment support facilities project in Binhe, Yinchuan	Reclaimed water treatment	50,000	100%	The project is yet to commence construction.
32	Shantong	Sewage treatment plant TOT project in Dezhou	Sewage treatment	100,000	75.5%	The project is in operation.
33	Shantong	Sewage treatment plant BOT project in western Weifang	Sewage treatment	40,000	75.5%	The project is in operation.
34	Shantong	Sewage treatment plant BOT project in Weifang City High Technology Industrial Development District	Sewage treatment	50,000	75.5%	The project is in operation.
35	Shantong	Sewage treatment plant reclaimed water treatment project in Weifang	Reclaimed water treatment	38,500	75.5%	The project is in operation.
36	Shantong	Sewage treatment plant in Weifang	Sewage treatment	300,000	75.5%	<ul style="list-style-type: none"> • The designed daily capacity for existing operation is 100,000 tonnes. • The designed daily capacity for the new sewage plant under construction is 200,000 tonnes. • Upon completion of construction of the new plant, the existing plant will cease to operate.
37	Shantong	Sewage treatment plant franchise project in Shanting District, Zaozhuang	Sewage treatment	20,000	75.5%	The project is in operation.
38	Shantong	Sewage treatment plant TOT+BOT project in Yicheng District, Zaozhuang	Sewage treatment	40,000	75.5%	The project is in operation.
39	Shanghai	Sewage treatment plant No. 2 project in Qingpu	Sewage treatment	120,000	100%	The project is in operation.
40	Zhejiang	Sewage treatment plant project in Tazhou	Sewage treatment	12,500	100%	The project is in operation.
Total				3,846,000		

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress	
Water supply projects						
1	Hubei	Water supply project in Tianmen	Water supply	150,000	100%	The project is in operation.
2	Hubei	Water supply project in Xinnong, Tianmen	Water supply	Not applicable	70%	The project is in operation.
3	Hubei	Water supply project in Huangpi, Wuhan	Water supply	260,000	100%	The project is in operation.
4	Shantong	Water supply project in Hanting District, Weifang	Water supply	60,000	26.183%	The project is in operation.
5	Shantong	Water supply project in Weifang	Water supply	320,000	51.34%	The project is in operation.
6	Shanxi	Water supply project in Lvliang	Water supply	55,000	100%	The project is in operation.
Total			845,000			
Longjiang Environmental's projects (daily capacity was accounted for under equity accounting)			726,483	25.3125%	Total designed daily capacity for the projects is about 2,870,000 tonnes.	
Total for water projects			5,417,483			
Waste incineration projects						
1	Shanghai	Waste incineration thermal power generation BOT project in Pucheng	Waste incineration	1,050	50%	The project is in operation.
2	Siuchuen	Waste incineration power generation BOT project in Dazhou	Waste incineration	1,050	100%	<ul style="list-style-type: none"> Existing plant of 700 tonnes designed daily capacity is in operation. Construction of phase 2 project is yet to commence.
3	Zhejiang	Waste incineration power generation BOT project in Wenling	Waste incineration	1,100	50%	The project is in operation.
Total			3,200			

Note: Taking into account the 16.7969% interest in Longjiang Environmental already held by the Group and the 25.3125% interest in the company held by SI Environment, the Group controls a total of 42.1094% interests in Longjiang Environmental. Given the Longjiang Environmental's projects has an existing daily capacity of about 2,870,000 tonnes, a daily capacity of a total of 1,210,000 tonnes was accounted for as owned by the Group under equity accounting.

Province	Projects of General Water of China	Project type	Daily production capacity (tonnes)	Interest attributable to General Water of China	Project progress	
Sewage treatment projects						
1	Anhui	Sewage treatment plant project Nos. 2, 3 and 4 in Bengbu	Sewage treatment	350,000	100%	The project is in operation.
2	Fujian	Sewage treatment project in Xiamen	Sewage treatment	1,054,000	55%	The project is in operation.
3	Guangdong	Sewage treatment plant project in Longhua, Shenzhen	Sewage treatment	150,000	90%	The project is in operation.
4	Heilongjiang	City sewage treatment project in Suifenhe	Sewage treatment	20,000	100%	The project is in operation.
5	Hunan	Sewage treatment project in river east of Xiangtan	Sewage treatment	150,000	100%	<ul style="list-style-type: none"> Phase 1 project is in operation. The upgrading project will commence in July 2014, and is expected to complete in 2015.
6	Zhejiang	Sewage treatment project in the new district of eastern Huzhou	Sewage treatment	50,000	100%	The project is in operation.
7	Zhejiang	Sewage treatment project in eastern Wenzhou	Sewage treatment	150,000	100%	<ul style="list-style-type: none"> The project is in operation. The upgrading project will commence in July 2014, and is expected to complete in 2015.
8	Zhejiang	Sewage treatment project in central Wenzhou	Sewage treatment	200,000	70%	The project is in operation.
Total			2,124,000			
Water supply projects/Water generating projects						
1	Anhui	Water supply project in Bengbu	Water supply	430,000	60%	The project is in operation.
2	Anhui	Water supply project in Guzhen	Water supply	130,000	60%	The project has been consolidated into the accounts at the end of 2014.
3	Fujian	Water generation project in Xiamen	Water generating	1,305,000	45%	The project is in operation.
4	Heilongjiang	Wuhua mountain reservoir project and water supply project in Suifenhe	Water supply	195,000	100%	The project was in trial operation in 2014. It is expected to commence in operation in 2015.
5	Hubei	Water supply project in Xiangyang	Water supply	950,000	50%	The project is in operation.
6	Hunan	Water supply project in Xiangtan	Water supply	425,000	70%	The project is in operation.
7	Shaanxi	Water generation project in Xianyang	Water generating	300,000	100%	The project is expected to commence in operation in 2015.
8	Zhejiang	Project on reservoir and water induction works in Tiger Lake, Huzhou	Water supply	200,000	100%	The project is in operation.
Total			3,935,000			



BUSINESS REVIEW, DISCUSSION AND ANALYSIS

NEW BUSINESS ARENA

The Group has expanded into the environmental protection clean energy sector and invests in the local photovoltaic power station market in China through Galaxy Energy, a 85% subsidiary of its associated company, Shanghai Galaxy. In 2013, Galaxy Energy acquired a 50MW photovoltaic power station project in Gaotai, Gansu and a 100MW project in Jiayuguan. Further acquisitions were made by Galaxy Energy in the first half of 2014, including a 20MW photovoltaic project in Gangcha County, Qinghai Province and a 30MW photovoltaic project in Zhongwei City of Ningxia Hui Autonomous Region. The investments totaling RMB139.60 million were completed in March 2014.

With a total installed capacity of 200MW in place, Galaxy Energy further acquired a 100MW photovoltaic power station project in Ningdong, Ningxia and a 20MW photovoltaic power station project in Yiwu, Xinjiang by open bidding in December 2014, with a total acquisition price of RMB325 million. The two projects have already been connected to the power grid system. With the completion of the acquisitions, Galaxy Energy has increased considerably the scale of its photovoltaic business, which is favorable to the company's future investments in the environmental clean energy sector and subsequent business development.

REAL ESTATE

The real estate business made a considerable profit contribution of HK\$1,209 million to the Group, representing a year-on-year increase of 63.8% and accounting for approximately 35.3% of the Group's Net Business Profit. The increase in profit was mainly due to the disposal of an aggregate of 100% interest of lot E of Qingpu District in Shanghai at the end of 2013 and in early 2014 by the Group and its A-share listed subsidiary, SI Development, respectively. The respective transactions were completed in the first quarter of 2014, generating a profit after tax of HK\$1,191 million for the Group. In 2014, the Group was committed to optimizing the asset structure of its real estate business, adjust the regional distribution of real estates, revitalize its assets to reflect the value of land bank held, and obtain extra working capital to be used for acquisitions for its core assets. At the same time, the Group also actively sought for sources of high-quality land reserve, new ways of cooperation and financing channels, which became new impetus for the future development of the real estate business and diversification of risk management.

SI Urban Development

SI Urban Development recorded a profit of HK\$161 million for the year, representing an increase of 12.3% over last year. Revenue for the year was HK\$7,774 million, representing a year-on-year decrease of 20.5%. In recent years, considerable efforts have been made to better allocate its resources. With the successful swapping of four pieces of land in Binjiang, Xuhui District last year, SI Urban Development has taken different measures to revitalize its assets during the year. This has been achieved through prioritizing the development of potential projects with more concentrated resources on the Yangtze River Delta area and coastal cities, introducing strategic partners and accelerating development and taking up old construction alteration and renovation projects to make way for more comprehensive developments of the urban areas. During the year, the amount of contracted sales reached RMB4,720 million, covering a total gross floor area of 265,000 square meters for such projects as Urban Cradle and Jing City in Shanghai, CBE International Peninsula in Xi'an and Top City in Chongqing, etc. In 2014, the total rental income was approximately HK\$472 million.



In September 2014, SI Urban Development, in conjunction with the Nan Fung group, acquired ShanghaiMart located in Shanghai Hongqiao Economic & Technological Development Zone from an independent third party for a total consideration of US\$579.30 million. ShanghaiMart, in which SI Urban Development now holds a 51% interest, has a total gross floor area of over 280,000 square meters. Representing the largest trade mall of its kind in Asia, it consists of three main buildings and is available for holding product exhibitions, expos and trade fairs. The project also includes office buildings for rental investments. Plans are being made to renovate the property to increase future earnings and returns from the investment. In March, SI Urban Development acquired a plot of land in Meilong Town, Minhang District, Shanghai at RMB767 million, which, with a site area of 43,000 square meters, will be developed as the fifth phase of Jing City in Shanghai, for commercial housing purpose. In addition, construction in the Xinzhuang metro superstructure project officially commenced in June.

An announcement was made in December 2014 to dispose of 40% equity interests of SI Urban Development in a real estate project in Beichen District, Tianjin to an independent third party for a consideration of RMB366 million. This will generate more working capital for SI Urban Development for other potential investment opportunities. In February 2015, SI Urban Development fully disposed of its equity interests in a development project in the Yanjiao economic and technological development zone in Hebei province for an aggregate consideration of RMB940 million, further withdrawing its investments from non-strategic development areas. During the year, SI Urban Development successfully obtained a club loan and a new shareholder's loan, which was used for replacing high yield notes and the future development of the company. This will also significantly reduce its financial costs in the future.

SI Development

In 2014, SI Development recorded a net profit of RMB885 million, representing a significant increase of 103.5% year-on-year. The profit was mainly derived from gains recorded from the disposal of its 51% interest in lot E of the Qingpu District, Shanghai. The transaction was completed in the first quarter. Revenue for the year amounted to RMB3,803 million, representing a decrease of 2.6% year-on-year. The contracted amount of projects for the year was RMB3,880 million, which mainly included Hi-Shanghai in Chengdu, Shanghai Bay in Qingpu District, Shanghai, Flos Granati in Jinshan, Shanghai and Rhine Town in Tianjin, etc., accounting for a gross floor area of 254,000 square meters. Rental income for the year was HK\$248 million.

During the year, SI Development acquired the following land plots through open bidding for the future development of the company. Joint venture partners were introduced to collaborate on developing projects to enhance the risk aversion capability of projects:

Property	Area (square meters)	Type of property	Interest held
Lot G05-6 of Jiading New Town, Shanghai	32,990.90	Commercial, residential and office	37.5%
Lot 18, Gudun Road project, Hangzhou	74,864.00	Commercial and residential	51%
Lot F04-2 of Jiading New Town, Shanghai	58,949.40	Commercial, residential, office and composite	40%
Lot 46, Gudun Road project, Hangzhou	59,640.00	Commercial and residential	51%
	226,444.30		

With the respective completion of the earlier stage of development of Hi-Shanghai project in Chengdu and Beer City project in Qingdao, SI Development has in turn acquired interests from other shareholders for these joint venture projects during the year, having assessed subsequent operation and development risks for the projects. These included the acquisition of 49.60% equity interest of the Chengdu project at RMB721 million and 39.54% equity interest of the Qingdao project at RMB1,810 million, both aiming to improve the overall return of the projects.

In May 2014, a joint venture platform company, in which SI Development holds a 38% interest, was formed between SI Development and a wholly-owned subsidiary under SIIC, in the Shanghai Free Trade Zone, for the investments of capital in the retirement sector. During the year, two land plots at the Demonstration Zone in Dongtan of the Chongming Island were acquired for the development of retirement business, beginning with strategic planning and now came to a new development stage capitalizing on resources allocations from its controlling shareholder. During the year, another joint venture investment company was formed between SI Development and a subsidiary of SIIC. The new company, in which SI Development holds a 51% interest, will collaborate with financial institutions to set up the "SIIC Shiyin Equity Investment Fund Management Centre". Leveraging the resource advantages of these financial institutions, the Centre aims to raise funds from the public, the first tranche of which will be RMB2,500 million.

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Set out below is a summary of the main property developments of the Group as at 31 December 2014:

Major Development Properties

	City	Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Date of completion
1	Minhang District, Shanghai	Urban Cradle (萬源城)	Residential and commercial	53.1%	908,950	1,136,468	33,202	660,499	2007 to 2015, in phases
2	Songjiang District, Shanghai	Shanghai Youth City (上海青年城)	Commercial and office	100%	57,944	212,130	328	137,478	Completed
3	Minhang District, Shanghai	Shanghai Jing City (上海晶城)	Residential and commercial	59%	301,908	772,885	98,963	422,198	2012 to 2017, in phases
4	Minhang District, Shanghai	Jingjie Yuan (晶杰苑)	Residential and commercial	59%	49,764	125,143	-	95,594	Completed
5	Minhang District, Shanghai	U Center (城開中心)	Commercial, hotel and office	59%	65,727	388,125	18,239	18,239	2014 to 2016, in phases
6	Chaoyang District, Beijing	American Rock (後現代城)	Residential and commercial	100%	121,499	523,833	714	450,070	Completed
7	Chaoyang District, Beijing	Youngman Point (青年匯)	Residential and commercial	100%	112,700	348,664	6,112	246,993	2007 to 2016, in phases
8	Haidian District, Beijing	West Diayutai (西釣魚台嘉園)	Residential	90%	42,541	250,930	909	171,169	2007 to 2016, in phases
9	Nankai District, Tianjin	Laochengxiang (老城廂)	Residential, commercial and office	100%	244,252	752,883	7,960	546,476	2006 to 2017, in phases
10	Huajiao Town, Kunshan	Yooouu.net (游站)	Commercial and office	30.7%	34,223	129,498	1,255	55,344	Completed
11	Zhoushi Town, Kunshan	Royal Villa (琨城帝景園)	Residential	53.1%	205,017	267,701	11,175	136,666	2007 to 2017, in phases
12	Binghu District, Wuxi	Urban Development International Center (上海中心城開國際)	Commercial, hotel, office and serviced apartment	59%	24,041	193,368	-	10,530	Completed
13	Xi'an Chanba Ecotope	CBE International Peninsula (滄瀾半島)	Residential, commercial and hotel	71.5%	2,101,967	3,899,867	53,648	1,763,691	2008 to 2017, in phases
14	Heping District, Shenyang	Shenyang U Centre (瀋陽城開中心)	Commercial, office and serviced apartment	80%	22,651	228,768	-	-	2015 to 2017, in phases
15	Jiulongpo District, Chongqing	Top City (城上城)	Residential, commercial and office	100%	120,014	786,233	29,120	347,784	2008 to 2016, in phases
16	Yuhua District, Changsha	Toscana (托斯卡納)	Residential and commercial	32.5%	180,541	210,980	-	186,492	Completed
17	Wangcheng District, Changsha	Forest Sea (森林海)	Residential and commercial	67%	679,620	907,194	3,183	236,298	2007 to 2017, in phases
18	Futian District, Shenzhen	China Phoenix Tower (中國鳳凰大廈)	Residential, commercial and office	91%	11,038	106,190	-	78,343	Completed
Sub-total					5,284,397	11,240,860			

City	Projects of SI Development	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Date of completion
1	Daoli District, Harbin (盛世江南)	Residential	100%	42,110	234,069	6,769	234,069	Completed
2	Xiqing District, Tianjin (萊茵小鎮)	Residential and commercial	100%	375,961	529,971	15,148	433,238	Completed
3	Shilaoren National Tourist Resort, Qingdao (國際啤酒城)	Composite	100%	227,675	783,500	133,780	151,563	2014 to 2018, in phases
4	Qingpu District, Shanghai (海源別墅)	Villa	51%	315,073	51,911	-	11,962	2014 to 2016, in phases
5	Qingpu District, Shanghai (上海•海上灣)	Residential	51%	808,572	454,880	19,388	71,752	2011 to 2017, in phases
6	Qingpu District, Shanghai (上海D1地塊)	Residential	51%	162,708	63,859	393	-	2017
7	Qingpu District, Shanghai (上海D2地塊)	Residential and commercial	51%	349,168	207,612	-	-	2017
8	Jinshan District, Shanghai (海上納堤)	Residential	100%	135,144	214,143	25,641	60,029	Completed
9	Jiading District, Shanghai (嘉定新城G05-6地塊)	Residential and commercial	37.5%	32,991	75,559	-	-	2016
10	Wuxing District, Huzhou (湖州•海上灣)	Residential	100%	85,555	96,085	2,993	1,257	Completed
11	Wuxing District, Huzhou (上實花園酒店)	Hotel and commercial	100%	116,458	47,177	-	-	2016
12	Wuxing District, Huzhou (湖潤商務廣場)	Commercial	100%	13,661	27,322	-	-	2015
13	Xiaguan Town, Dali (洱海莊園)	Residential and commercial	75%	292,123	348,870	4,239	299,130	Completed
14	Chenghua District, Chengdu (成都•海上海)	Commercial, residential	100%	61,506	254,885	29,764	44,912	2014 to 2015, in phases
15	Fengze District, Quanzhou (泉州•海上海)	Residential and commercial	49%	381,795	1,615,395	-	-	2017 to 2021, in phases
Sub-total				3,400,500¹	5,005,238¹			

City	Projects of the Company	Type of property	Interest attributable to the Company	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Date of completion
1	Qingpu District, Shanghai (海源別墅)	Villa	49%	315,073	51,911	-	11,962	2014 to 2016, in phases
2	Qingpu District, Shanghai (上海•海上灣)	Residential	49%	808,572	454,880	19,388	71,752	2011 to 2017, in phases
3	Qingpu District, Shanghai (上海D1地塊)	Residential	49%	162,708	63,859	393	-	2017
4	Qingpu District, Shanghai (上海D2地塊)	Residential and commercial	49%	349,168	207,612	-	-	2017
Sub-total				1,635,521¹	778,262¹			
Total				10,320,418¹	17,024,360¹			

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Major Future Development Properties

	City	Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Date of completion
1	Xuhui Binjiang District, Shanghai	Binjiang U Center (濱江城開中心)	Commercial and office	35.4%	77,371	404,600	Under planning
2	Minhang District, Shanghai,	Xinzhuang Metro Superstructure project (莘莊地鐵上蓋項目)	Residential, commercial, hotel, office and apartment (office)	20.7%	117,825	605,000	2018 to 2022, in phases
3	Yanjiao Economic and Technological Development Zone	Yanjiao (燕郊)	Residential, commercial, hotel and office	100%	333,333	666,600	2015 to 2018, in phases
4	Tangjia High-tech Zone, Zhuhai	Qi'ao Island (淇澳島)	Residential, commercial and hotel	100%	2,215,516	1,090,000	Under planning
Sub-total					2,744,045	2,766,200	

	City	Projects of SI Development	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Date of completion
1	Jiading District, Shanghai	Lot F04-2 of Jiading Xincheng (嘉定新城F04-2地塊)	Residential and commercial	40%	58,949	165,996	2018
2	Yuhang District, Hangzhou	Lot 18, Gudun Road project 古墩路項目(18號地塊)	Residential and commercial	51%	74,864	221,404	2019
3	Yuhang District, Hangzhou	Lot 46, Gudun Road project 古墩路項目(46號地塊)	Residential and commercial	51%	59,640	137,172	2019
Sub-total					193,453	524,572	

	City	Projects of the Company	Type of property	Interest attributable to the Company	Approximate site area (square meters)	Planned total GFA (square meters)	Date of completion
1	Qingpu District, Shanghai	Shanghai Lot F (上海F地塊)	Villa	10%	350,533	175,267	Under planning
2	Qingpu District, Shanghai	Shanghai Lot G (上海G地塊)	Villa	10%	401,274	200,637	Under planning
Sub-total					751,807	375,904	
Total					3,689,305	3,666,676	

Major Investment Properties

	City	Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Total GFA for investment properties (square meters)
1	Nankai District, Tianjin	Laochengxiang (老城廂)	Residential, commercial and office	100%	2,433 ²
2	Songjiang District, Shanghai	Shanghai Youth City (上海青年城)	Commercial	100%	16,349 ²
3	Jiulongpo District, Chongqing	Top City (城上城)	Commercial and car park spaces	100%	251,847 ²
4	Futian District, Shenzhen	China Phoenix Tower (中國鳳凰大廈)	Office	91%	1,048 ²
5	Chaoyang District, Beijing	Youngman Point (青年匯)	Commercial	100%	19,768 ²
6	Shanghai Hongqiao Economic & Technological Development Zone	ShanghaiMart (上海世貿商城)	Commercial and office	51%	284,651
7	Xuhui District, Shanghai	Urban Development International Tower (城開國際大廈)	Office	59%	45,239
8	Xuhui District, Shanghai	Huimin Commercial Tower (隴民商廈)	Commercial	59%	13,839
9	Shanghai	Others (其他)	Commercial and office	59%	9,249
Sub-total					644,423

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

City	Projects of SI Development	Type of property	Interest attributable to SI Development	Total GFA for investment properties (square meters)
1	Xuhui District, Shanghai Shanghai Industrial Investment Building (上海實業大廈)	Commercial and office	100%	10,089
			32%	50,591 (carpark included)
2	Huangpu District, Shanghai Golden Bell Plaza (金鐘廣場)	Commercial and office	100%	12,270
			90%	49,006 (carpark included)
3	Yangpu District, Shanghai Hi-Shanghai Commercial and Cultural Complex (海上海商業用房及文化設施)	Composite	100%	44,027 (carpark included)
4	Pudong New District, Shanghai No. 1111, Shangchuan Road (上川路1111號)	Industrial building	100%	40,208
5	Hongkou District, Shanghai Gao Yang Commercial Centre (高陽商務中心)	Commercial and office	100%	26,668
6	Hongkou District, Shanghai Gao Yang Hotel (高陽賓館)	Hotel	100%	3,847
7	Huangpu District, Shanghai Commercial Units of Huangpu Estate (黃浦新苑商鋪)	Commercial	100%	20,918 (carpark included)
8	Changning District, Shanghai Super Ocean Finance Center (仲盛金融中心)	Commercial and office	100%	2,321
9	Qingdao Economic Development Zone Dali Plaza (達利廣場)	Commercial	76%	21,495
10	Wenjiang District, Chengdu Orchard Forest Commercial Building (錦繡森鄰商業用房)	Commercial	100%	1,396
Sub-total				282,836
Total				927,259

Notes:

- There are duplicate figures in the GPA of Belle Rive, Shanghai Bay, Shanghai Lot D1 and Shanghai Lot 2.
- Such total GFAs are duplicate figures, which have been included in the Major Investments Properties table.

CONSUMER PRODUCTS

The consumer products business of the Group recorded a profit of HK\$1,079 million for the year 2014, representing an increase of 7.7% over the last year and accounting for approximately 31.5% of the Group's Net Business Profit. During the year, solid progress was made for its existing projects. Efforts were made to promote organic growth and to increase profitability. New sources of earnings are being sought and new business areas are being developed.

Tobacco

During the year, Nanyang Tobacco has continued to follow through its strategies that emphasize on "development of new products, expansion of markets and improvement in technology". As such, efforts were made to improve product quality, strengthen competitiveness of enterprises, expand international markets and enhance brand awareness. As at the end of the year, key work was put in place, technological alteration projects were carried out smoothly and various performance indicators continued to maintain satisfactory growth. Nanyang Tobacco realized a revenue and net profit of HK\$3,170 million and HK\$907 million for 2014, respectively, representing an increase of 8.9% and 9.1% over last year; and total sales represented a year-on-year increase of 4.8%. The increases in sales in all major markets were satisfactory. In the coming year, the company will focus on the expansion of the European market and Brazil, US and Canada and other regions. It will rebuild the brand image of "Double Happiness", enhance its brand value and plan to put into the market of new products including "Southern Brotherhood" and round packaging series.

Nanyang Tobacco has also actively accelerated the upgrading and alteration of equipment and technology to ensure that they reach advanced industry standards. Technological alteration projects completed in 2014 included the tobacco production line, fine hard-packed products, high-speed wrapping and canned cigarettes for the 12th five-year plan. The newly purchased Yuen Long warehouse was put into use in December. Along with continuous rises in raw material prices, the price for tobacco has recorded the largest increases for many years. Under the premise of selecting high quality tobacco, Nanyang Tobacco has continuously improved its production technology and constrained cost strictly. The company also introduced effective procurement schemes and expanded respective procurement regions to enhance cost efficiency. Along with popular world trends, low tar products are planned to be launched in the coming year.

Printing

Wing Fat Printing recorded a net profit of HK\$196 million in 2014, representing an increase of 8.3% over the previous year; revenue amounted to HK\$1,141 million, representing an increase of 8.2% over the previous year. The existing business structure of Wing Fat Printing was modified and further enhanced this year, resulting in a year-on-year increase of 6% in revenue of its high-profit principal printing and packaging business, while the revenue from the relatively low-profit paper trading business fell 26.5% over the previous year, significantly improving the company's operating quality.

An important strategy for Wing Fat Printing in 2014 was the introduction of the new business of pulp mold packaging, to achieve overall strategic transformation and upgrades of the company's business. In June, Wing Fat Printing acquired a 100% interest of Wing Fat Molded (formally known as Shengli Medical) from a subsidiary of SIIC and an independent third party for a total consideration of RMB11.34 million. Through this acquisition, Wing Fat Printing has set up a production base for developing high-end pulp mold packaging products, creating new channels for continued business growth.



FINANCIAL REVIEW

KEY FIGURES

	2014	2013	Change %
Results			
Revenue (HK\$'000)	19,967,066	21,567,724	-7.4
Profit attributable to owners of the Company (HK\$'000)	3,069,003	2,702,418	13.6
Earnings per share – basic (HK\$)	2.834	2.500	13.4
Dividend per share (HK cents)	90	87	
– interim (paid)	45	42	
– final (proposed)	45	45	
Dividend payout ratio	31.8%	34.8%	
Interest cover (note(a))	6.8 times	5.9 times	

	2014	2013	Change %
Financial Position			
Total assets (HK\$'000)	127,270,558	122,410,025	4.0
Equity attributable to owners of the Company (HK\$'000)	35,518,016	34,946,024	1.6
Net assets per share (HK\$)	32.80	32.28	1.6
Net debt ratio (note(b))	51.40%	30.82%	
Gearing ratio (note(c))	45.50%	41.92%	
Number of shares in issue (shares)	1,082,761,600	1,082,751,600	

Note (a): (profit before taxation, interest expenses, depreciation and amortization) / interest expenses

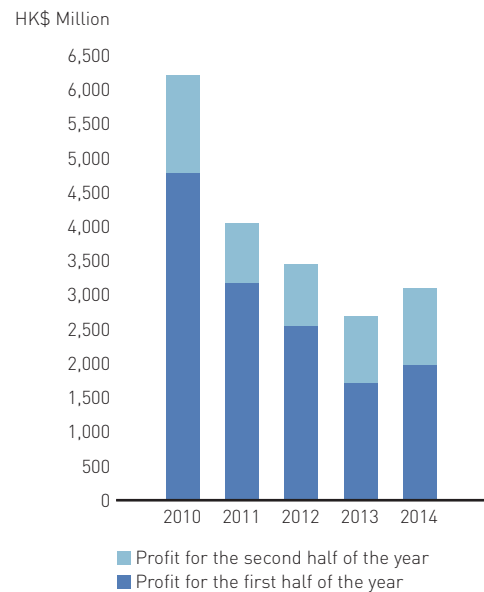
Note (b): (interest-bearing loans-cash) / equity attributable to owners of the Company

Note (c): interest-bearing loans / (equity attributable to owners of the Company + non-controlling interests + interest-bearing loans)

I ANALYSIS OF FINANCIAL RESULTS

1 Profit attributable to owners of the Company

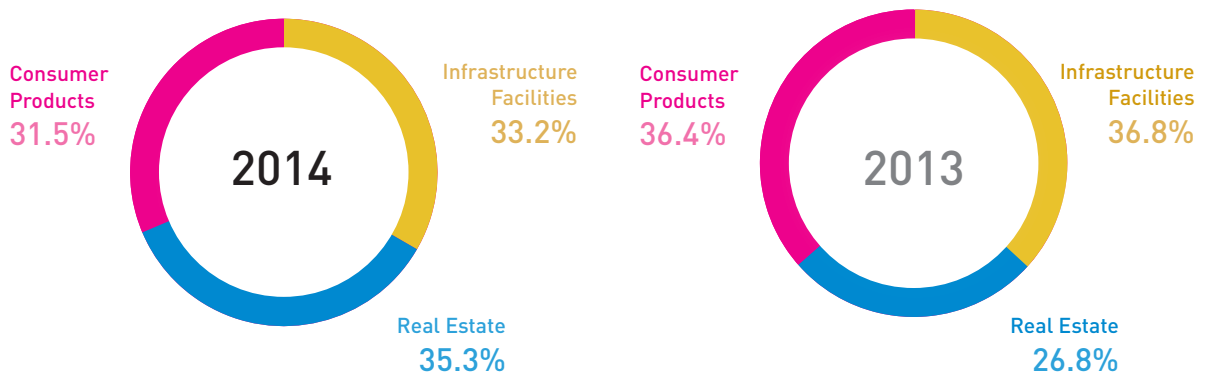
For the year ended 31 December 2014, the Group recorded a profit attributable to owners of the Company of HK\$3,069.00 million, an increase of HK\$366.59 million or approximately 13.6% as compared to 2013, which is mainly due to a gain of HK\$1,190.98 million from the disposal of Lot E of Qingpu District, Shanghai.



2 Profit Contribution from Each Business

The profit contributed by each business in the Group for the year 2014 and the comparative figures last year was summarized as follows:

	2014 HK\$'000	2013 HK\$'000	Change %
Infrastructure Facilities	1,139,514	1,015,067	12.3
Real Estate	1,208,600	737,656	63.8
Consumer Products	1,078,866	1,001,464	7.7
	3,426,980	2,754,187	24.4



FINANCIAL REVIEW

Net profit from the infrastructure facilities business for the year was approximately HK\$1,139.51 million, accounting for 33.2% of Net Business Profit, representing a year-on-year increase of 12.3%. Although the traffic flow of the three expressways recorded natural growth ranging from 4.8% to 8.3%, the total amount of net profit of the three expressways was HK\$858.67 million, representing a slight year-on-year decrease of 1.0%, which was mainly due to the absence of the 50% tax concession for Hu-Ning Expressway starting from this year. As for water services business, SI Environment's results grew substantially due to the completion of the new acquisition projects which provided profit contribution and benefited from foreign exchange gain in the year. In addition, a gain of the fair value change from Longjiang Environmental of HK\$67.17 million and a dilution gain of HK\$15.76 million was booked resulting from the dilution of shareholding in General Water of China from 47.5% to 45%, driving the substantial growth in profit of the water services business.

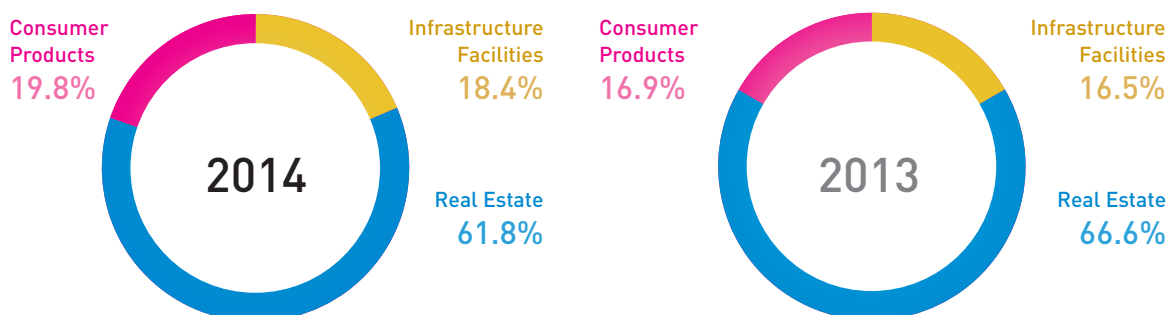
Real estate business recorded a profit of approximately HK\$1,208.60 million, accounting for 35.3% of Net Business Profit, representing a significant increase of approximately HK\$470.94 million as compared to last year. The increase was mainly due to the disposal of Lot E of Qingpu District, Shanghai and a profit after tax of HK\$1,190.98 million was booked, and an impairment of HK\$318.65 million in total was provided for available-for-sale investment of three real estate projects. While for last year, there was a disposal gain of HK\$515.68 million from the disposal of interest in land parcel, representing 25% equity interest in the U Center project.

The consumer products business recorded a net profit of HK\$1,078.87 million for the year, accounting for 31.5% of Net Business Profit, and increased by HK\$77.40 million as compared with last year. The increase was mainly due to the stable business growth of Nanyang Tobacco, the net sales and net profit of which increased by 8.9% and 9.1% respectively during the year. The operating profit of Wing Fat Printing also remained stable, net profit of which increased by 8.3% as compared with last year.

3 Revenue

The Group's revenue by principal activities for the year 2014 and prior year comparatives was summarized as follows:

	2014 HK\$'000	2013 HK\$'000	Change %
Infrastructure Facilities	3,680,795	3,550,386	3.7
Real Estate	12,327,889	14,374,056	-14.2
Consumer Products	3,958,382	3,643,282	8.6
	19,967,066	21,567,724	-7.4



In 2014, revenue amounted to approximately HK\$19,967.07 million, representing a year-on-year decrease of 7.4%, mainly due to the fact that the property sales booked by SI Urban Development decreased by approximately HK\$2,000 million as compared with last year. However, the decrease was partially offset by the increase in the revenues from infrastructure facilities and consumer products businesses.

The year-on-year increase in revenue of infrastructure facilities business was mainly attributable to the natural growth in the toll income from three expressways, and also SI Environment started consolidating the sales of Qingpu Sewage Plant No. 2 upon completion of the acquisition.

The real estate business recorded a decrease of revenue due to a drop in property sales booked by SI Urban Development of approximately HK\$2,000 million compared to last year, and the revenue of SI Development slightly decreased by approximately 2.6%.

As for the revenue from consumer products business, the net sales of cigarettes of Nanyang Tobacco increased by approximately 8.9%. Wing Fat Printing completed the acquisition of Wing Fat Molded which is engaged in paper molds production business and consolidated its sales, leading to increase in sales revenue, however revenue of the paper trading recorded a year-on-year decrease of 26.5%, which offset part of the increase in revenue of Wing Fat Printing, resulting in a 8.6% year-on-year increase of revenue from consumer products business.

4 Profit before Taxation

(1) *Gross profit margin*

Gross profit margin for the year was 37.9%, representing an increase of 8.7 percentage points as compared to 29.2% for last year, which is mainly due to a higher proportion of property sales booked in respect of the real estate business with higher gross profit margin. The gross profit margin for the infrastructure facilities and consumer products businesses remained stable as compared with those of 2013.

(2) *Other income, gains and losses*

Other income, gains and losses decreased as compared to last year, which is mainly due to a foreign exchange loss of approximately HK\$262.85 million booked given the depreciation of Renminbi during the year.

(3) *Gain on disposal of assets through disposal of subsidiaries*

Last year, a disposal of interest in a land parcel, representing 25% equity interest in U Center project was completed and recorded a pre-tax gain of HK\$819.13 million. There was no such similar gain during the year.

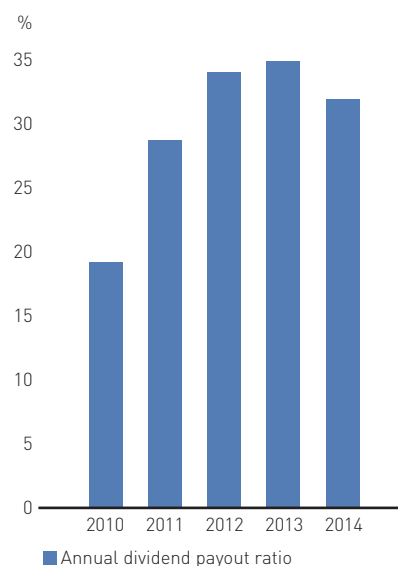
(4) *Net gain on disposal/deemed partial disposal of interests in other subsidiaries, joint ventures and associates*

During the year, the net gain was mainly derived from the completion of sales of 40% equity stake of Tianjin City Yi Jia He (天津億嘉合) by SI Urban Development and the dilution of shareholding in General Water of China from 47.5% to 45% resulting in a profit of HK\$15.76 million. While the net gain for the previous year was mainly derived from the disposal of two wholly-owned subsidiaries of SI Development, namely Huzhou Huhong Investment Development Co., Ltd. and Huzhou Hubin Investment Development Co., Ltd., together with the disposal of 30% equity interest in Zhejiang Tianwai Packaging and Printing Co., Ltd. by Wing Fat Printing.

FINANCIAL REVIEW

5 Dividend

The Group continued to adopt a stable dividend payout policy. The Board of Directors has proposed a final dividend of HK45 cents per share. Together with an interim dividend of HK45 cents per share, the total dividend amounted to HK90 cents per share for 2014 (2013: HK87 cents per share), annual dividend payout ratio is 31.8% (2013: 34.8%).

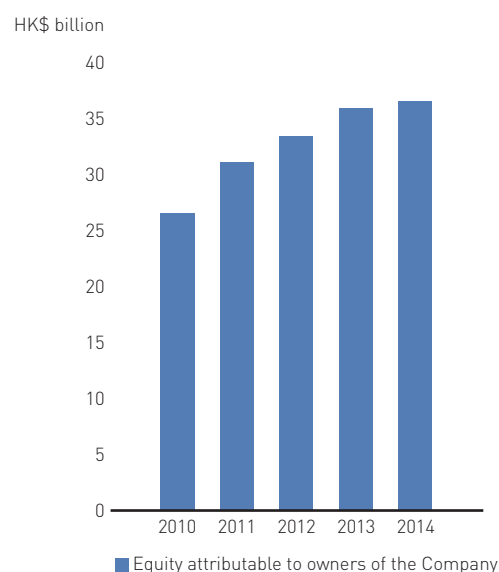


II FINANCIAL POSITION OF THE GROUP

1 Capital and Equity attributable to owners of the Company

The Group had a total of 1,082,761,600 shares in issue as at 31 December 2014, which was increased by 10,000 shares as compared with 1,082,751,600 shares in issue as at the end of 2013. The increase is mainly attributable to the exercise of share options by employees during the year.

The equity attributable to owners of the Company reached HK\$35,518.02 million as at 31 December 2014, which was attributable to the net profits after deducting the dividend actually paid during the year.



2 Indebtedness

(1) Borrowings

During the year, the Company, through a wholly-owned subsidiary, SIHL Finance Limited, signed a HK\$4 billion or US dollars equivalent dual-currency syndicated loan, of which HK\$2 billion or US dollars equivalent are of a 3-year term and the remaining HK\$2 billion or US dollars equivalent are of a 5-year term, for settling a HK\$2.6 billion syndicated loan due in May 2014 and for general working capital purpose. Besides, the Company signed a RMB1 billion loan in February 2014 for settling a Renminbi loan due in May 2014.

As at 31 December 2014, the total borrowings of the Group including bank borrowings, other borrowings and convertible bonds amounted to approximately HK\$44,589.13 million (31 December 2013: HK\$37,806.53 million), of which 60.4% (31 December 2013: 72.6%) was unsecured credit facilities.

(2) Pledge of assets

As at 31 December 2014, the following assets were pledged by the Group to banks to secure banking facilities granted by these banks to the Group:

- (a) investment properties with an aggregate carrying value of HK\$12,456,886,000 (31 December 2013: HK\$5,298,903,000);
- (b) leasehold land and buildings with an aggregate carrying value of HK\$1,664,858,000 (31 December 2013: HK\$940,841,000);
- (c) plant and machineries with an aggregate carrying value of HK\$30,956,000 (31 December 2013: HK\$14,837,000);
- (d) one (31 December 2013: one) toll road operating right of HK\$3,095,721,000 (31 December 2013: HK\$3,335,773,000);
- (e) receivables under service concession arrangements with an aggregate carrying value of HK\$2,553,891,000 (31 December 2013: HK\$2,294,931,000);
- (f) properties under development held for sale with an aggregate carrying value of HK\$8,443,487,000 (31 December 2013: HK\$10,630,517,000);
- (g) properties held for sale with an aggregate carrying value of HK\$129,768,000 (31 December 2013: HK\$132,958,000);
- (h) trade receivables with an aggregate carrying value of HK\$192,098,000 (31 December 2013: HK\$240,273,000); and
- (i) bank deposits with an aggregate carrying value of HK\$742,973,000 (31 December 2013: HK\$512,231,000).

(3) Contingent liabilities

As at 31 December 2014, the guarantees given to banks by the Group in respect of banking facilities utilised by an entity controlled by Xuhui District State Owned Asset Administrative Committee, property buyers and joint ventures amounted to approximately HK\$269.93 million, HK\$1,669.79 million and HK\$837.17 million (31 December 2013: HK\$340.59 million, HK\$3,137.45 million and HK\$212.23 million) respectively.

3 Capital Commitments

As at 31 December 2014, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK\$7,373.54 million (31 December 2013: HK\$8,894.87 million). The Group had sufficient internal resources and/or through loan market channel to finance its capital expenditures.

4 Bank Deposits and Short-term Investments

As at 31 December 2014, bank balances and short-term investments held by the Group amounted to HK\$26,332.41 million (31 December 2013: HK\$27,035.63 million) and HK\$490.20 million (31 December 2013: HK\$542.12 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars in respect of bank balances were 8%, 81% and 11% (31 December 2013: 4%, 85% and 11%) respectively. Short-term investments mainly consisted of investments such as Hong Kong and PRC listed shares.

While having sufficient working capital and a healthy interest cover, the Group is monitoring the market situation and the funding requirements for business development, will seek opportunities to optimize capital structure should the need arise.

FINANCIAL REVIEW

III MANAGEMENT POLICIES FOR FINANCIAL RISK

1 Currency Risk

The Group mainly operates in China and the Hong Kong Special Administrative Region and the exposure in exchange rate risks mainly arises from fluctuations in the US dollar, Singapore dollar, HK dollar and Renminbi exchange rates. As the HK dollar and Renminbi are both under managed floating systems, the Group, after reviewing its exposure for the time being, did not enter into any derivative contracts aimed at minimizing exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

2 Interest Rate Risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. In order to exercise prudent management against interest rate risk, the Group continues to review the market trend, as well as its business operations needs and its financial position, so as to arrange the most effective interest rate risk management tools.

3 Credit Risk

The Group's principal financial assets are bank balances and cash, equity and debt investments, trade and other receivables. The Group's trade and other receivables presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made according to the Group's accounting policy or where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

With respect to the credit risk of the Group's treasury operations, the Group's bank balances and cash, equity and debt investments must be placed and entered into with financial institutions of good reputation. There are strict requirements and restrictions as to the outstanding amount and credit ratings on equity and debt investments to be held, so as to minimize the Group's credit risk exposure.

4 Equity Price Risk

The Group and the Company is exposed to equity price risk through its investment in equity securities classified as either available-for-sale investments or financial assets at fair value through profit or loss. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group and the Company's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, management has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

CORPORATE GOVERNANCE REPORT

The Company strives to establish highly effective corporate governance system, and firmly believes in the importance of good corporate governance principles working within the confines of a corporate governance structure. Through sound management and strict risk control, we are able to achieve better results and sustained development for the Group and deliver the best interest for our shareholders and respective stakeholders.

CORPORATE GOVERNANCE STRUCTURE

Different functional committees and administrative organizations have been established to ensure that the principles of good governance are observed and that corporate governance measures formulated by the Board are properly implemented.

In accordance with requirements for the Corporate Governance Code, the Company has during the year conducted an annual review on the effectiveness of its internal control system as well as that of its subsidiaries, in addition to internal audits currently conducted for subsidiaries within the Group. The scope of such reviews covered financial, operational and compliance controls and risk management. During the year, professional training and information on the laws and regulations applicable to mainland China and Hong Kong in view of changes on regulatory systems and legal requirements applicable and financial and tax management thereto were given to the new and existing member companies.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company has complied with all code provisions set out in the Corporate Governance Code for the year ended 31 December 2014, except for deviations from A.6.7 and E.1.2 of the Code as described below. An Independent Non-Executive Director, who was then also the chairman of the Remuneration Committee and Nomination Committee, was unable to attend the annual general meeting and extraordinary general meeting of the Company both held on 28 May 2014 due to a business engagement. Details of the principles and practices of governance of the Company and all major work and relevant changes during the year are set out in this report.

With the implementation of the new Companies Ordinance on 3 March 2014, the par value of the Company's shares has been abolished as it is a Hong Kong incorporated company with a share capital. Adjustments have also been made to the capital structure, including corresponding adjustments to include share premium and capital redemption reserve as a part of the share capital of the Company. To align the articles of association of the Company with provisions in the new Companies Ordinance, the amended articles of association was presented for adoption and approval by shareholders at the extraordinary general meeting of the Company convened on 28 May 2014. The respective resolutions were passed by shareholders.

The Company also established its own Inside Information Disclosure Policy and required compliance by all of its subsidiaries with a view to maintain good corporate governance within the Group and to ensure due disclosure of corporate information as well as to enhance corporate transparency. At present, the Group releases business development information in a timely manner through different channels, including the publication of annual and interim reports and business results, the sending of circulars to shareholders, and disclosing latest developments through news conference and press releases. All the above information is published on the website of the Company.

STRATEGIC OBJECTIVES AND BUSINESS MODEL

In accordance with its work plans, the Group has strategically positioned itself as a Hong Kong based company that relies on mainland China. Through effective allocation of resources outside mainland China as well as integration of capital and business operation, the Group has successfully turned itself into an enterprise that built its foundation on three core areas of business, including real estate, infrastructure and environmental protection as well as consumer products. Capitalizing on the future development opportunities of China, the Group strives to become a comprehensive investment red chip window company that will constantly create value for its shareholders. Based on its own resources and the market development at home and abroad, the Company will pursue the steady development of its real estate business and continue to expand the infrastructure and environmental protection business while striving to enhance the growth of its consumer products business in the future.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board of Directors represents the highest level of authority in the governance structure of the Company. It is mainly responsible for formulating the Group's long term business development strategies and operational direction, monitoring the Group's business and financial performance, formulating and reviewing the Group's corporate governance policies and day-to-day operations, as well as leading and supervising the management to ensure thorough implementation of the Board's decisions and effective performance of their duties.

Composition of the Board

As of the date of this report, the Board of Directors of the Company consists nine members as below:

Name of Director	Executive position in the Board	Years of service in the Group
Executive Directors		
Wang Wei	Chairman	1.75 years
Zhou Jie	Vice Chairman & Chief Executive Officer	13 years
Lu Shen	Executive Deputy CEO	5.5 years
Zhou Jun	Deputy CEO	9.5 years
Xu Bo	Deputy CEO	3 years
Independent Non-Executive Directors		
Lo Ka Shui	–	19 years
Woo Chia Wei	–	19 years
Leung Pak To, Francis	–	19 years
Cheng Hoi Chuen, Vincent	–	2.5 years

The members of the Board of the Company comprise professionals from different areas who have served in relevant PRC government authorities, enterprises and financial institutions in mainland China and Hong Kong, all of whom have extensive experience in corporate and financial administration, project management, asset management and international business.

No member of the Board is materially related to one another in terms of financial, business and family aspects. Brief biographical details of the Directors are set out on pages 55 to 57 of this Annual Report. In all corporate communication channels as well as the websites of the Company and the Stock Exchange, the composition of the Board according to the categories and duties of the Directors are disclosed.

Mr. Wang Wei and Mr. Zhou Jie are Chairman and Chief Executive Officer of the Company respectively. Interpretation of the Responsibilities between the Chairman and the Chief Executive Officer have been adopted for the distinction between the two positions.

Independent Non-Executive Directors

The Company has four Independent Non-Executive Directors. They have the same fiduciary duties as those of the Executive Directors. The number of Independent Non-Executive Directors accounts for more than one-third of the number of members of the Board while no less than one of the Independent Non-Executive Directors has the relevant financial expertise required. All Independent Non-Executive Directors are also members of the respective Remuneration Committee and Nomination Committee, among them, three are also members of the Audit Committee. Confirmation from each Independent Non-Executive Director concerning his independence according to Rule 3.13 of the Listing Rules has been received and they are considered to be independent. During the year, the Chairman has met the Independent Non-Executive Directors without the presence of Executive Directors.

Replacement of Directors

For the year ended 31 December 2014 and up to the date of this report, the following changes were made to the Board of the Company:

- On 20 February 2014, due to age reason, Mr. Qian Yi resigned as an Executive Director and Deputy CEO of the Company. On the same date, being nominated by the Nomination Committee of the Company, Mr. Ni Jian Da was appointed as Executive Director and continued to act as a Deputy CEO of the Company.
- On 2 February 2015, Mr. Ni Jian Da resigned as an Executive Director and Deputy CEO of the Company for reason of pursuing his personal career development.

The resolutions for the above changes were passed by all members of the Board, and relevant disclosures were made by announcement in accordance with the Listing Rules.

Terms of the Directors

According to the Directors' service agreements entered into between the Company and existing five Executive Directors respectively, any party may terminate the agreement by giving to the other party prior written notice. In addition, the Company also issued appointment letters for four Independent Non-Executive Directors, specifying an appointment term of three years, subject to renewal upon expiry.

At the 2014 annual general meeting, Mr. Zhou Jie, Mr. Zhou Jun and Mr. Leung Pak To, Francis retired by rotation and were re-elected in accordance with the Company's articles of association. In addition, as Mr. Leung Pak To, Francis has served in the Company for more than nine years, his further appointment was approved by shareholders by individual vote proposed by the Company in accordance with the relevant requirements set out in the Corporate Governance Code, while Mr. Wang Wei and Mr. Ni Jian Da were also re-elected and continued to act as Directors in accordance with the Company's articles of association and the requirements set out in the Corporate Governance Code.

At the upcoming 2015 annual general meeting, Mr. Xu Bo, Dr. Lo Ka Shui and Prof. Woo Chia-Wei shall retire by rotation in accordance with the articles of association of the Company. All of them, being eligible, have offered themselves for re-election. Their biographical details as well as the resolutions and explanatory statement for re-election of Dr. Lo Ka Shui and Prof. Woo Chia-Wei, who have served in the Company for more than nine years as Independent Non-Executive Directors are set out in the circular to shareholders to be dispatched together with this Annual Report, so as to enable shareholders to make an informed decision on their election.

Responsibilities of Directors

The Directors of the Company are dedicated to their duties diligently, and have taken an active participation in the Company's affairs. During the year, the Company has provided induction materials to a newly appointed Director as well as necessary information and training during the tenure of his appointment. The Company has established the procedures for Directors to Seek Professional Advice, and the Directors (also refers to board committee members) may seek independent professional advice according to such agreed procedures at the expense of the Company.

Every year, the Company also arranged liabilities insurance for directors and senior officers of the Company and its subsidiaries, providing certain protection for any legal liabilities risks they may have involved in the discharge of their duties as well as to possible legal claims made against the respective companies as a result.

Proceedings at Directors' Meetings

The schedule for convening regular meetings of the Board (also refers to board committees) for the whole year will be set at the end of the preceding year. The Board will convene at least four regular meetings a year. Save for non-regular meetings, notices of meeting and relevant materials will be given 14 days and 3 days before the date of the regular meetings of the Board (also refers to board committees) respectively. The Company Secretary will confirm with the Directors if any matters are required to be included in the agenda for regular meetings before they are sent out.

CORPORATE GOVERNANCE REPORT

Meeting minutes are kept with the Company Secretary, copies of which will be sent to each Director for perusal and safekeeping. All matters considered and resolved at the meetings, including any concerns raised by the Directors or dissenting views expressed will be recorded in the minutes. Board papers and related materials are open for review at any time by any Director.

During the year, for those matters to be considered by the Board in which a substantial shareholder or a Director had a material conflict of interest, these matters have been dealt with at a physical board meeting. If any resolution of the board meeting involves material interests of any Director or any of his associates, such Director will abstain from voting and will not be counted in the quorum present at the meeting.

In 2014, 14 board meetings were held by the Company (ten of which were in the form of written resolutions). Please refer to the Business Review, Discussion and Analysis of this Annual Report for material decisions made by the Board during the year. The attendance of individual Directors and committee members in 2014 is set out below:

	Meetings held in 2014					
	Meetings attended/Meetings held					
	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Number of meetings held in the year	14	16	3	2	2	2
Executive Directors						
Wang Wei	14/14	16/16	-	-	-	2/2
Zhou Jie	14/14	16/16	-	-	-	2/2
Lu Shen	14/14	16/16	-	-	-	2/2
Zhou Jun	13/14	16/16	-	-	-	2/2
Xu Bo	14/14	16/16	-	-	-	2/2
Ni Jian Da ¹	11/11	-	-	-	-	2/2
Qian Yi ²	3/3	-	-	-	-	0/0
Independent Non-Executive Directors						
Lo Ka Shui	14/14	-	-	2/2	2/2	0/2
Woo Chia Wei	14/14	-	3/3	2/2	2/2	2/2
Leung Pak To, Francis	14/14	-	3/3	2/2	2/2	2/2
Cheng Hoi Chuen, Vincent	14/14	-	3/3	2/2	2/2	2/2
Committee Members						
Li Han Sheng	-	-	-	2/2	2/2	-
Guo Fa Yong	-	-	-	2/2	2/2	-
Attendance	99%	100%	100%	100%	100%	90%

Notes:

1. Appointed on 20 February 2014 as Director and resigned on 2 February 2015 as Director.
2. Resigned on 20 February 2014 as Director.
3. The attendance is accounted for by reference to the number of board meetings held during the tenure of each respective Director.

Securities Transactions by Directors

The Company has established its own Code for Securities Transactions by Directors or Relevant Employees, which was set on terms no less exacting than the required standards set out in the Model Code. Having made enquiries with all Directors and the relevant employees of the Company, each of them has confirmed that the requirements of the Model Code and the code of the Company were fully complied with during 2014.

Directors' Training

Based on the Directors' training records, the trainings received by each Director for the year ended 31 December 2014 is summarized as follows:

Name of Director	Continuing professional development category	
	To participate in training covering business, industries, corporate governance, regulatory development and other related topics	To read newspapers, publications and updated information about economics, commerce, directors' duties, etc.
Executive Directors		
Wang Wei	√	√
Zhou Jie	√	√
Lu Shen	√	√
Zhou Jun	√	√
Xu Bo	√	√
Independent Non-Executive Directors		
Lo Ka Shui	√	√
Woo Chia Wei	√	√
Leung Pak To, Francis	√	√
Cheng Hoi Chuen, Vincent	√	√

Functions of Corporate Governance

The Board of the Company is responsible for performing corporate governance duties to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuing professional development of Directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Group's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the year, the Company also provided corporate governance guidelines and information from time to time to the Board members and member companies according to the latest laws and regulations, and ensured compliance with the relevant provisions of corporate governance by them.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

Board Committees

Currently four committees have been established under the Board, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. All committees are responsible to the Board, and shall report to the Board on the decisions or recommendations they made. The terms of reference of the Company's Audit Committee, Remuneration Committee and Nomination Committee have been published on the Company's website and the website of the Stock Exchange.

Executive Committee

Being a decision-making administrative body under the Board, the Executive Committee is primarily responsible for taking charge of the Company's day-to-day operations, ensuring proper execution of the resolutions passed by the Board and at the general meetings, reviewing major business activities and investments, and reporting to the Board.

All members of the Executive Committee are Executive Directors. As of the date of this report, members of the committee included Mr. Wang Wei, Mr. Zhou Jie, Mr. Lu Shen, Mr. Zhou Jun and Mr. Xu Bo. Mr. Wang Wei is the chairman of the committee.

Major Work Done by the Executive Committee

In 2014, the Executive Committee held 16 meetings in the form of written resolutions. The matters considered included acquisitions and disposals, approval of loans and borrowings, increase of capital of subsidiaries and placing, etc.

Audit Committee

The Audit Committee is mainly responsible for reviewing accounting policies and practices adopted by the Group. The committee also discusses matters relating to financial reporting as well as internal control and risk management, selects, appoints and dismisses external auditor and monitors the relationship between the Company and external auditor and reports to and makes recommendations to the Board for decision-making. The Company has a system for employees to raise concerns, in confidence, with an audit committee about possible improprieties in any matter related to the financial reporting and internal control of the Company.

As of the date of this report, the members of the Audit Committee included Mr. Cheng Hoi Chuen, Vincent, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis. Mr. Cheng Hoi Chuen, Vincent is the chairman of the committee. The Company Secretary acts as committee secretary.

Major Work Done by the Audit Committee

In 2014, the Audit Committee held three meetings. The matters considered at the meetings included review of the Group's results, review of the Company's financial reporting, internal control and risk management system, review of internal audit, non-audit services report, human resources for accounting and financial reporting functions as well as appointment of external auditor for the coming year. During the year, not less than one meeting was held in the absence of Executive Directors for the Audit Committee to meet with the auditor.

Remuneration Committee

The Remuneration Committee is mainly responsible for reviewing the remuneration policy and structure of the Company as a whole and ensuring effective implementation of such policies. The committee also makes recommendations to the Board on the establishment of formal and transparent procedures for setting the remuneration policies and structure with regard to the Directors and senior management. The committee will determine the remuneration of Directors and senior management in accordance with corporate strategies and goals set up by the Board, and none of the Directors will determine his own remuneration.

As of the date of this report, the members of the Remuneration Committee included four Independent Non-Executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Cheng Hoi Chuen, Vincent, as well as representatives from the management, namely Mr. Li Han Sheng and Mr. Guo Fa Yong. Dr. Lo Ka Shui is the chairman of the committee while the Company Secretary acts as the committee secretary.

Major Work Done by the Remuneration Committee

In 2014, the Remuneration Committee held two meetings, one of which was in the form of written resolutions. The matters considered included distribution and payment of discretionary bonuses to the Directors, proposed adjustments for the remuneration of Directors and senior management, appointment letter for a new Director, etc.

During the year, according to the Company's performance appraisal mechanism, salaries of the employees were reviewed taking into account the Company's performance, individual performance of the staff and the trend of the industry average to ensure a reasonable and competitive compensation package for its employees.

Determination of Directors' Remuneration

The remuneration of the Directors was determined with reference to the operating results of the Company, industry benchmarks and dedication of time by the Directors and their job responsibilities. Apart from basic salaries, the Directors are entitled to a discretionary bonus subject to the operating results of the Group, prevailing market conditions as well as the performance of the respective Directors.

Nomination Committee

The Nomination Committee is mainly responsible for setting highly transparent procedures of appointing new directors and director succession plans and making recommendations to the Board for candidates of new directors or for filling casual vacancies of the Board. The process of nomination starts from recommending a candidate to the committee by the controlling shareholder of the Company, after which the committee will submit the candidate to the Board for consideration in accordance with the benchmark of the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, racial, professional experience, technical, knowledge and lengths of service, etc., and based on the working experience, expertise and education background required for the position and the time and effort that the candidate may contribute to the Company.

As of the date of this report, members of the Nomination Committee included four Independent Non-Executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Cheng Hoi Chuen, Vincent, as well as representatives from the management, namely Mr. Li Han Sheng and Mr. Guo Fa Yong. Dr. Lo Ka Shui is the chairman of the committee while the Company Secretary acts as the committee secretary.

Major Work Done by the Nomination Committee

In 2014, the Nomination Committee held two meetings, both in the form of written resolutions. The matters considered included the nomination of new Directors to the Board and review of the structure, size and composition of the Board, etc. As the members of the Board come with different professional perspectives, and in terms of the background of our major shareholder and operation model of the Company, the committee is of the view that the Board basically demonstrates a diversified composition and structure.

CORPORATE GOVERNANCE REPORT

EXECUTIVE MANAGEMENT

Management Executives

The duties of the Executive Committee as authorized by the Board are delegated to the Management Executives under the committee and will be performed by the respective functional departments. As of the date of this report, members of the Management Executives included Mr. Zhou Jie, Mr. Lu Shen, Mr. Zhou Jun, Mr. Xu Bo and Mr. Li Han Sheng. The functional departments of the Company included administration, company secretarial, corporate communications, finance, human resources, internal audit, legal, investment operations and Shanghai regional head office.

Investment Appraisal Committee

The Company has established an Investment Appraisal Committee to evaluate the viability of its investment projects from different perspectives. Professional views are given by various functional departments based on the Company's overall business investment strategies. After studying carefully the key project elements, such as industry background, organizational structure, business development plans, return on investment, financial and legal risk issues, the committee will form independent professional opinion and submit its recommendations and reports to the management executives for consideration. Such appraisals will then be submitted to the Executive Committee for approval according to procedures governing corporate investment decision-making processes. The Investment Appraisal Committee mainly comprises representatives from functional departments at the Hong Kong headquarters. Current members of the committee are the Head of the Investment Operations Department, the Company Secretary and Chief Legal and Compliance Officer and the Chief Financial Officer. During the year, the Investment Appraisal Committee conducted appraisals on 16 projects.

COMPANY SECRETARY

The Company Secretary is mainly responsible for sound information communication among the members of the Board and the compliance of the policy and procedures of the Board and all applicable rules and regulations. The Company Secretary maintains a close relationship with each Director and the management and provides assistance and advice to the members of the Board when necessary. Also, the Company Secretary is responsible for providing opinion to the Chairman, Chief Executive Officer, other members of the Board and the management in respect of corporate governance from time to time and provides induction materials and arranges continuous professional development programmes for the Directors. The selection, appointment and dismissal of the Company Secretary are approved by the Board. Brief biographical details of the Company Secretary are set out on page 58 of this Annual Report and the Company's website.

ACCOUNTABILITY AND AUDITING

Appointment of External Auditor

In considering the re-appointment of external auditors, the Audit Committee has taken into consideration its relationship with the Company and its independence in the provision of non-audit services. An independence report has been submitted to the committee by the external auditor. Pursuant to the above, the Audit Committee has recommended the Board to re-appoint Messrs. Deloitte Touche Tohmatsu as the external auditor for the Company for 2015, subject to approval by shareholders at the annual general meeting to be held on 28 May 2015.

The audit fee of the external auditor for 2014 amounted to HK\$15,229,000. The Company has also established the Policies on Provision of Non-audit Services by External Auditor, and non-audit services were reported to the Audit Committee each year. The fees for the non-audit services provided to the Group by the Company's external auditor (including its affiliates) for the year were as follows:

Fees for non-audit services	2014 HK\$'000	2013 HK\$'000
Financial due diligence of acquisition project	5,580	4,191
Tax consultation fee	310	331
Others	20	2,093
Total	5,910	6,615

Preparation of Financial Statements

The financial statements and interim report of the Company were prepared in accordance with the disclosure requirements set forth in Appendix 16 to the Listing Rules and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and in accordance with the Hong Kong Companies Ordinance. The Board is responsible for preparing and reviewing the Group's accounts to ensure that they give a true and fair view on the financial position as well as the profits and cash flows of the Company. The Company has consistently applied appropriate accounting policies, and has made prudent and reasonable judgments and estimates and prepared its accounts on a going concern basis. The external auditor stated in the independent auditor's report its opinion and report to the shareholders on the relevant financial statements, and such report is set out on pages 72 and 73 of this Annual Report.

In accordance with the Corporate Governance Code, arrangements have been made by the management to provide monthly management updates to the Directors setting out updated information on the performance, financial status and prospects of the Company, to assist the Directors in performing their duties under the Listing Rules.

Internal Control

The Board is responsible for ensuring a sound, proper and effective internal control system of the Group so as to safeguard the assets of the Company and the investments of the shareholders. The Board also endeavors to maintain sound risk management and internal control systems. An Internal Audit Department has been established for monitoring the prudent and effective operation of the internal control system of the Group (including all its major member companies) and respective reports will be regularly made to the Audit Committee and the Board on a quarterly basis. The internal audit system is currently conducted in a cycle of three years. Internal audits will be conducted for direct subsidiaries within the Group for the purpose of risk assessment according to the significance of the respective projects.

For the year ended 31 December 2014, the Company has collected information and carried out investigation in respect of internal control issues for its subsidiaries. No material deviation in the compliance with guidance on internal controls by the subsidiaries was reported. These subsidiaries have complied with the relevant laws and industry regulations in respect of legal compliance. No material non-compliance of rules or material litigation risk was reported, nor was there any fraud or corruption issue. In addition, the Board and the Audit Committee considered that the resources allocated, staff qualification and experience in respect of the accounting and financial reporting functions of the Company as well as training programs and budget were adequate and sufficient.

SHAREHOLDERS

As at 31 December 2014, SIIC, the controlling shareholder of the Company, indirectly held 624,402,748 shares of the Company (excluding the interest in the underlying shares and short positions) with a shareholding percentage at approximately 57.67% (excluding the underlying shares). The percentage of public shareholding was approximately 42.33%.

Connections with Shareholders, Other Stakeholders and Investors

The Company has established the Shareholders' Communication Policy to ensure that shareholders can exercise their powers in an informed manner, and to allow shareholders and investors to improve communications with the Company. In addition, the Board attaches great importance to shareholders' opinion. Each annual general meeting has been taken as an opportunity to communicate directly with shareholders and the questions raised by them will be addressed. Shareholders, other stakeholders and investors are also welcome to voice their concerns and valuable opinions by way of e-mails, telephone and in writing (details of which are contained on page 3 under the Section of "Shareholders Enquiries" of this Annual Report). These will be directed to the Company Secretary and forwarded to the Board.

CORPORATE GOVERNANCE REPORT

Proceedings at General Meeting

The Company has established proceedings at general meetings which are subject to review and amendments according to regulatory requirements from time to time. During the year, at the general meetings of the Company, the chairman of the meeting exercised the power conferred under the articles of association of the Company that all voting for each proposed resolution was conducted by way of poll, with detailed procedures for voting by poll being provided to shareholders and all questions raised regarding voting being answered as well. Poll results were published by announcements on the same day of such general meetings after they had been held, while the same were uploaded on the website of the Company and the website of the Stock Exchange for perusal by shareholders.

Rights of Shareholders

Shareholders who wish to convene an extraordinary general meeting and move a motion thereat shall abide by the provisions under the new Companies Ordinance and the articles of association of the Company. Details of the relevant requirements and procedures are set out in the relevant sections of "Corporate Governance" in the Company's website.

Convening a General Meeting

Pursuant to section 566 of the new Companies Ordinance, shareholders representing at least 5% of the total voting rights of all shareholders are entitled to convene a general meeting. The request which may consist of several documents in like form must state the general nature of the business to be dealt with at the general meeting and may include the text of the resolutions proposed. It must be authenticated by the person making such requisition which must be sent to the Company in printed or electronic form for the attention of the Company Secretary.

Moving a Motion at General Meeting

Pursuant to section 615(2) of the new Companies Ordinance, (1) shareholders representing at least 2.5% of the total voting rights of all shareholders; or (2) at least 50 shareholders with voting rights at the general meeting concerned may send their duly signed request to the Company in printed or electronic form for the attention of the Company Secretary for matters to be dealt with at a general meeting of the Company.

Recommendations of Director Candidates

In addition, pursuant to article 105 of the articles of association of the Company, if a shareholder intends to nominate a person other than the retiring Directors for election as a Director at a general meeting, he/she shall deposit a written notice of such nomination to the Company's registered office for the attention of the Company Secretary within a period of seven days commencing on the following day after the dispatch of the notice of such meeting.

INVESTOR RELATIONS

Active communication has been maintained with investors. Apart from participating in major investor conferences to keep its presence in the investment markets. The Company has also expanded its regional exposure through active investor relations activities to keep investors informed of the Company. During the year, the Company participated in 11 investor forums of different types in Hong Kong, Singapore and the Mainland to keep investors abreast of our operation philosophy and future prospects. In addition, the management of the Company held overseas road shows for two weeks in four Asian regions, including Hong Kong, Japan, Malaysia and Singapore, meeting existing institutional investors and potential long-term value investors. Reverse road shows were also organized in the third quarter, expanding our exposure to institutional investors in the Mainland. In order to help investors better understand our environmental business which is rapidly developing, we arranged visits to the newly acquired waste power plants in Shanghai for fund managers. Besides, the Company also organized irregular gatherings with investors and the media to maintain a good investor relationship.

CONSTITUTIONAL DOCUMENTS

As the new Companies Ordinance came into effect on 3 March 2014, the Company has made amendments to the articles of association for the respective revised provisions. Resolutions on such amendments were passed in the 2014 annual general meeting.

HUMAN RESOURCES

Staff (including Directors) salaries, allowances and bonuses totaled HK\$915 million for the year (2013: HK\$866 million). Details of Directors' remuneration paid for the year ended 31 December 2014 are set out in note 13 to the financial statements. The remuneration payable to senior management of the Company by band for the year ended 31 December 2014 was as follows:

Remuneration by band (HK\$)	2014 Number of individuals
0 – 1,000,000	0
1,000,001 – 2,000,000	2
	2

Share Options

The Company adopted the SIHL New Scheme and terminated the SIHL Scheme at the extraordinary general meeting held on 25 May 2012. Up to 31 December 2014, 42,327,000 share options remained outstanding and unexercised. Apart from that, no share options were granted or outstanding under the SIHL New Scheme during the year.

The SI Urban Development Scheme adopted by SI Urban Development, a subsidiary of the Company, on 12 December 2002 was expired on 11 December 2012, and SI Urban Development New Scheme was adopted at the annual general meeting held on 16 May 2013. As at 31 December 2014, 57,750,000 share options remained outstanding and unexercised. Apart from that, no share options were granted or outstanding under the SI Urban Development New Scheme during the year.

SI Environment, a subsidiary of the Company, adopted the SI Environment Scheme and terminated its existing share option scheme at the extraordinary general meeting held on 27 April 2012. Up to 31 December 2014, no share options were granted or outstanding under the SI Environment Scheme.

Details of the SIHL Scheme, SIHL New Scheme, SI Urban Development Scheme, SI Urban Development New Scheme and SI Environment Scheme are set out in note 41 to the financial statements.

By Order of the Board

Yee Foo Hei

Company Secretary

30 March 2015

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To reciprocate the society and to show its corporate responsibilities, the Group is committed to enhance governance standards and corporate quality, striving to promote environmental protection and participate in charity work along with its business developments..

With a full perspective that covers environmental protection, social responsibility and governance standards while striving for sustainable growth and future development, the Group is committed to promote five core values for the achievement of this:

Customers – to provide high standard products and services

Environment – to protect and improve the environment and promote to such concepts to the community

Employees – to pay attention to individual development and offer a good working environment

Corporate governance – to abide by good corporate governance principles and improve governance standards

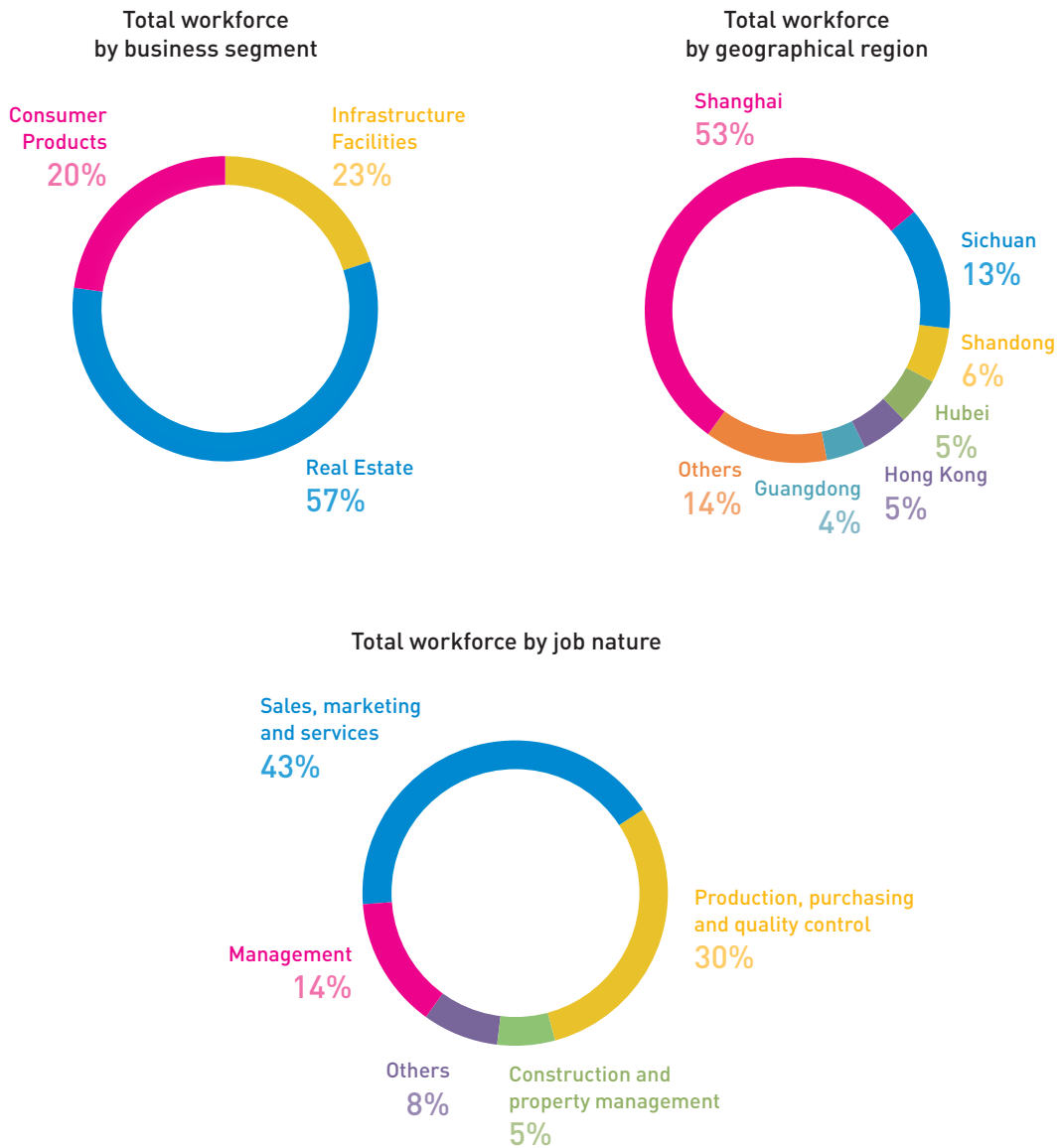
Equity stakeholders – to maximize return on investment

2014 Highlights

- Occupational safety and health (OSH) management systems have been set up and disaster drills and training for employees were conducted periodically.
- Continuous training was offered to employees.
- Exhaust gas was purified and deodorized and evacuated through high exhaust funnels, with constant supervision.
- Waste materials were separated before disposing by landfill while waste sources were strictly minimized and waste water recycled.
- The management principles of environmental protection and conservation in the course of building construction were strictly observed and carried out thoroughly.
- Paperless operations were supported with the launching of electronic office systems.
- Supplier management systems were set up to strictly carry out control measures for the Group's products and project quality.
- Investigations against anti-corruption were enhanced and high integrity was promoted.
- Charity and community activities were actively participated by member companies.

HUMAN RESOURCES

The Group has an outstanding team of employees who have complied with various working rules, codes of practice as well as principles and moral standards established. The continued and due diligence efforts of the employees in taking up respective responsibilities are the key driving forces behind the sustainable growth of the Group. For the year ended 31 December 2014, the Group employed 12,031 employees (2013: 10,627), of whom the ratio of male to female employees was 60.4: 39.6 (2013: 61.7: 38.3).

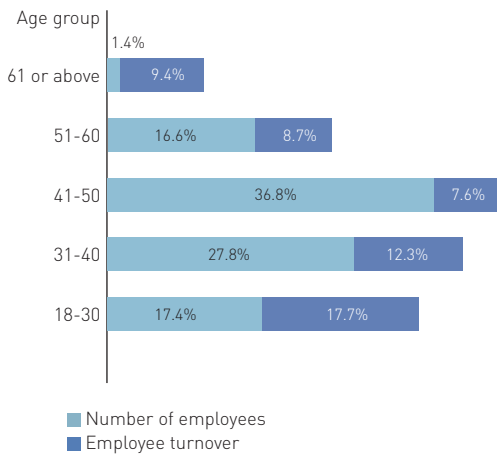


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

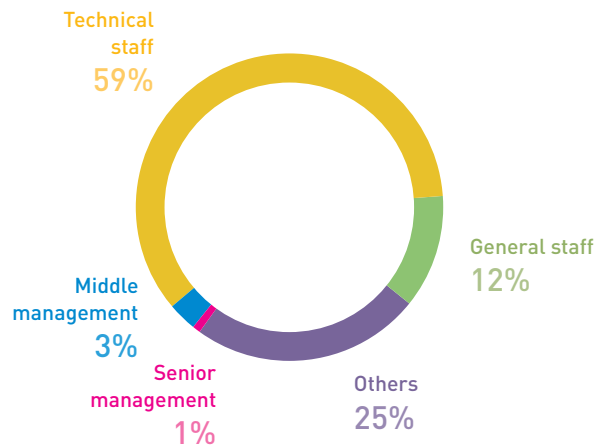
Employee Training and Development

With a strong commitment to employee relationship and training, a number of activities for employees were held to enhance mutual trust and communication while promoting the exchange of knowledge among themselves. Meanwhile, the Group also encouraged employees to continue their education in order to add value for themselves and enhance their quality of work so that they can make a better contribution to the Group. During the year, programs mainly included training for new employees, management training and professional training, covering induction courses, performance management, financial and tax management, laws and regulations compliance and OSH training, etc.

Total workforce and turnover by age group



Employees receiving training by employee category



Remuneration and Welfare Policies

Through its performance appraisal mechanism, the Group carries out annual reviews in accordance with its business performance, individual staff performance and industry average remuneration, in order to arrive at a reasonable and competitive compensation package for its employees.

In order to ensure effective recruitment and successful retention of talents, the Group offers, in addition to salaries, allowances and bonuses, a compensation package to its employees that include cash and medical allowances, periodical physical examination, maternity leaves and marriage leaves and personal accident insurance. In addition, the Company also operates a defined contribution pension scheme for qualified employees. Furthermore, in compliance with the Mandatory Provident Fund Schemes Ordinance, all employees are required to participate in the mandatory provident fund scheme. The assets of both schemes are administered separately by independent custodians in accordance with the relevant laws and regulations.

HEALTH AND SAFETY AT WORK

Considerable concern is paid to the safety and hygienic aspects of the working environment of employees to foster a safe and healthy environment and promote environmental management and raising employees' awareness level of safety and hygiene. Furthermore, we comply with requirements such as occupational and health as well as labor safety rules and regulations. The OHS measures adopted by the member companies of the Group during the year include:

- Establishing OHS management and safety production systems as well as OHS operation control programs.
- Arranging OHS training for employees every year including "Safety Rules", "Fire Protection Inspection", "Chemical Safety" and "5-S Methods", etc.
- Arranging disaster drills and safety inspections every year, and conducting safety reviews by external inspection institutions and arrangement of OHS lectures.
- Providing labor protection equipment and working suits for special working positions, requiring strict observance of the operation safety measures by the operating personnel; maintenance records were kept for reference and equipment were regularly checked and replaced if necessary.
- Organizing periodical physical examination and propaganda of health related information for employees and providing adequate labor insurance.
- Awarded OHSAS18001 occupational health and safety management certification.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT PROTECTION

Over the years, the Group has endeavored to emphasize the importance of environmental protection. As such, respective environmental protection laws and regulations have been complied with and all environmental audits were passed. The launching of electronic office systems have put in place a paperless operation. Resources have also been allocated to improve environmental protection aspects, reduce noise levels, recycle wastes and ensure the quality of green efforts.

Waste Gas and Waste Water Treatment

Waste gas discharged by the Group in the course of business mainly comes from printing ink produced from printing factories, glue volatilization and gas released from the manufacture of cigarettes with smells of tobacco, as well as emissions from cooking fumes from the canteens. In order to reduce the emission of waste gas, original boilers have been transformed into biomass boilers; waste gas from printing ink and glue volatilization are gathered from exhaust pipes in the 10-meter high exhaust funnel and evacuated, and activated carbon is placed inside the pipes. Waste gas from tobacco is discharged after the peculiar smell is removed with the deodorizing machine and the exhaust rate is supervised all day long. Ashes created from trash burning are purified through smoke dehydration reactor and with activated charcoal absorbent. The stoves in the canteens are equipped with range hoods with fume purifiers, preventing the fume to be discharged into the air directly.

Waste drainage in each sewage treatment plant is monitored real-time online in accordance with the requirements of the environmental protection authority. Harmful substances in the waste water are removed before they are discharged and only after they meet the discharge standard. The high concentration sewage from other enterprises in the course of production, as well as used oil and kerosene are recycled by professional institutions recognized by the government.

Waste Treatment

Different types of wastes are strictly separated according to the waste management system with proper education and training for employees. Waste paper and waste metals are delivered to qualified solid waste treatment companies for recycling and treatment, and tobacco wastes are sent to dumping areas for landfills. Other production and living wastes are also sent after being compressed for landfills. Leftovers are recycled by recycling institutions recognized by the government. Fly ash and slag from furnaces during the production process are collected, stored, transported and handled separately. The fly ash will go through the stabilization and solidification process before being sent to the landfills. Furnace slag will be kept for multi-purpose utilization.

As for dust control in the construction sites, the Group strives to conduct hardening treatment to the surface soil in the construction environment, and cover the dust or spray water on them according to weather conditions while earth transporting vehicles with sealed covers are used. The Group also sets up washing pools for transportation vehicles to ensure that sands and dirt will not be taken out. Fine particles of construction materials that can easily fly around are tightly sealed, and the mixing equipment on the construction sites is equipped with dust-blocking devices.

Best Utilization of Resources

Over the years, the Group's member companies have been observing the policies of green energy saving and low carbon emission, and promoted recycling use of materials, power savings and wise use of water sources in the course of production. They are also committed to carbon reduction and waste emission having actively participated in green activities and created a paperless office. An electricity company has been invited to visit our tobacco factories in Hong Kong to provide energy audit service to enhance the benefits from energy conservation and reduce the operating expenses. Meanwhile, the Group has also directed all working units to fully devote to the policies through active promotion and encouragement of employees' participation for creating an atmosphere for green energy saving.

In the course of the construction of real estate projects, the Group has also abode to the management principles of environmental protection and energy conservation, which are carried through in the whole procedure such as construction planning, procurement of materials, on-site construction and project acceptance, in which all the participating units are required to formulate corresponding environmental protection and energy saving management systems and measures. In new housing construction projects, the green ratio and energy saving designs all meet with government requirements. During the year, the measures of the Group's member companies for utilization of resources include:

- Planning to switch from T8 light pipes into LED lights with reference to the energy audit report, testing the brightness, colors and durability to assess the implementation achievements. Electricity consumption is reduced during non-peak working hours.

- Participating in the "Energy Saving Charter on Indoor Temperature 2014" held by the Electrical and Mechanical Services Department of Hong Kong, and undertaking to maintain the average room temperature at between 24 °C and 26 °C within a specified period.

- Conducting feasibility studies on the erection of green plant coverage on the roof of buildings in the hope that the transpiration and photosynthesis of plants can be relied on to help heat insulation and to reduce the cooling load of the air conditioning system and reduce the load of the heat island effect in the city.

- Taking environmental protection measures to use rain collected as the cooling water for the newly built cooling towers for the air coolers; and establishing periodical cleaning and water quality inspection systems for the other water towers.

- Recycling use of non-qualified products or offcuts produced in the course of production; adding frequency conversion electric appliances and procuring energy saving lamps.

- Specifying water use quotas for domestic water and water used in the construction site of the real estate projects and avoiding the leakage or damages of the water pipelines.

- Emission of the highly concentrated nitrogen oxides from the furnace ashes follows the Standard for Pollution Control on the Municipal Solid Waste Incineration (GB18485-2014), thereby reducing more than 90 tonnes of nitrogen oxides emitted into the atmosphere annually.

- Lowering the pump pressure for water supply during periods where there are less demand for water. Better maintenance work of water pumps to enhance their electrical and mechanical functions so as to save electricity.

- Adopting the water saving system and equipment, establishing collection pools for raindrops or recycled water, dividing the wastes and sewages, and using recycled water for washing machines, equipment, vehicles and greening and irrigation.

- Advocating resource saving in offices, advertising on keeping taps closed, printing both sides of paper and switching off lights if not required and recycling waste paper, toner cartridge, waste batteries and computer hardware.

- Awarded ISO14001 certification for occupational health and safety, sewage discharge licence, environmental impact approval for expansion work, environmental protection compliance certificate, and passed the factory environment (noise, exhaust gas) and impact on surrounding environment (noise, exhaust gas) testing.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATION MANAGEMENT

Supplier Management

The Group's member companies have separately established internal supplier management systems or material suppliers examination and management systems to ensure that the selection of suppliers meet the quality of the materials and comply with requirements and regulations. Improved database has been established to make complete data, consummate formalities and legal procedures to jointly create a fair business environment with integrity and effectively control potential risks in the supply chains and reduce operating costs.

During bidding and tendering management for projects, the Group has strictly complied with relevant management measures and systems to conduct uniform reviews and analysis over the bidding documents, make field visits to important suppliers, give ratings through re-inspection and choose qualified suppliers. Some companies have implemented the supplier management system under the ISO9001:2008 quality management system, compared goods among suppliers and invited suppliers to actively participate in and provide assistance in product development and use of new equipment, and provide specific materials for best use. The quality is rated through trial procedures in accordance with Management Measures for Samples, and single supplier is avoided if applicable.

Product Liability

The Group is committed to providing customers with excellent goods and services, and practically improving the quality of products and services through professional production and service teams. With a proper customer relations management system, we can be better aware of customers' requirements, guarantee the information and privacy of consumers, and offer assistance and supports required. The member companies of the Group also have special departments that are in charge of handling customer complaints and conduct investigations and analysis on recycling of disqualified finished products and with respect to specific events. Meanwhile, the Group has established a complete intellectual property rights management system to apply for registration of valuable trademarks and patents and manage registered intellectual property rights to cope with market development strategies and meet the demands for market competition.

Various quality management measures have been established for real estate projects to improve project quality management levels which are aimed to provide safe, comfortable and livable residence for consumers. The Group also conducts special periodical inspections on projects under construction, and organizes acceptance checking before delivery. During the year, some companies have established database of cases of project quality, improved handling methods for quality and conducted comprehensive post-assessment analysis over completed projects. In terms of the consumer products business, the Group has established inspection procedures and guidelines for all production process, strictly conducted incoming, online and finished product inspections to ensure product quality.

For routine maintenance of highways, the Group has conducted acceptance and inspection according to the standards of highway maintenance; the construction units conduct quality inspection and joint completion checking according to the quality inspection and assessment standards for the quality reviews of major, medium and minor maintenance of highways. Our sewage treatment plants comply with the requirements of local sanitary supervision authorities; raw water, treated water and pipe network water are monitored and inspected. Random checking and inspection of water samples are performed by relevant government authorities as well as our own laboratories on a regular and non-regular basis.

ANTI-CORRUPTION

All the Group's member companies attach great importance to the corporate culture of honesty and integrity to practically maintain our corporate image and benefits. During the year, the Group has further enhanced education of employees with respect to anti-corruption. Besides specifying requirements on professional ethics of the employees in the Employee Handbook, some companies have also enhanced promotion and education on anti-corruption to all the working units, and required partners from the supply chains to conduct anti-corruption; other companies have specified explicitly the responsibilities of the internal discipline committees, enhanced the investigation and handling of breach of disciplines and strengthened internal control management. In addition, some companies have required the management to sign up agreement on integrity, advocate integrity and severely punish breaches of disciplines.

Results of our member companies are audited and internal control procedures are undertaken by the internal audit departments and external auditors regularly each year to prevent the risk of corruption. The headquarters of the Group will also perform regular examinations on specific items of our major project companies to prevent corruptions or other issues occurred in finance, purchasing, operation, production and other areas. The financial systems formulated by the respective member companies can also effectively prevent arrogation of power and corruption. With whistleblowing hotlines, special mailboxes and internal fraud reporting systems, these measures have proven more helpful and effective in preventing corruption.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL RESPONSIBILITIES

The Group plays an active part in charity and welfare activities and is committed to the fulfillment of social responsibilities, reciprocation to the society and promotion of the corporate images. Every year, the member companies of the Group organize and conduct a series of public welfare activities and support poverty alleviation and aid for students, visit the elderlies, make donations and organize volunteers to provide services and encourage employees' participation and practically carry out social responsibilities through joining the activities. During the year, the public welfare activities, in which the member companies of the Group have participated, include:

- Organizing the "One day Charity Donation for Warmth Sharing" campaign during New Year and Spring festive times.
- Organizing the theme activity of "Hand-in-hand for 18 Years, Walking with both Love and Dreams" in Lu'an Chengkai Hope Primary School and increase the number of poor students to be aided.
- Participating in the tree planting activity of "Thinking Freely about the Beautiful Life and Jointly Building the Beautiful SI Development".
- Going to Qingpu District nursing home on the eve of the Dragon Boat festival to hold the volunteers' activity of "Full of Love in SI Development and Warm Love for Sunset".
- Volunteering to fix doors and windows and making donations for study aids for Jiangshanqing Hope Primary School in Wuyuan, Jiangxi.
- Visiting orphans and disabled children at Lupin Foster Home to show our love and care.
- Participating in "Enjoying Music in Spring Time and Sharing with Parents and Children" activity with the community and organizing the "Family Day" activities during summer holiday to fill the community with harmony and laughter.
- Making donations to the victims of earthquakes in Wenchuan County and Lushan County in Sichuan Province and Ludian in Yunnan Province.
- Holding a public welfare art exhibition with the theme of "Caring for Special Population and Fulfilling the Volunteering Services in the Civilized Urban Area".
- Holding the teachers' forum of "Sharing Sunshine and Aiding Growth" and training village teachers.
- Holding a large public welfare activity with the series theme of "Natural Art Festival" to arouse environmental protection awareness of the mass.
- Carrying out "Civilization on the Road", offering volunteer services for the transportation and road network for the Conference on Interaction and Confidence-Building Measures in Asia.
- Organizing the Christmas card hand-making activity of "Passing Warm Friendship with Deft Hands" with public welfare organizations to inspire young people to care for the vulnerable groups.
- Taking the opportunities of the April 22 Earth Day and June 5 World Environment Day to launch the environmental protection promotion campaign.

On behalf of the Board

Yee Foo Hei

Company Secretary

30 March 2015

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. WANG Wei *Executive Director, Chairman*

(Appointed on 25 June 2013 ~ Present)

Mr. Wang, aged 60, is the chairman of Shanghai Industrial Investment (Holdings) Company Limited. He holds a college degree and is designated a senior policy advisor. Mr. Wang was division head of the Shanghai Electrical and Mechanical Bureau, head of the grass-roots unit division of the Metallurgical Mining Machinery Co. under the Shanghai Electrical and Mechanical Bureau, general manager of Shanghai Mechanical Engineering Integrated Plant Co., deputy director and director of the Shanghai Civil Affairs Bureau, chairman of Shanghai Agricultural, Industrial and Commercial (Group) Corp. (now as Bright Food (Group) Corporation Ltd.), deputy chief of the General Office of the Shanghai Municipal Government, a full-time deputy secretary-general of the executive committee of 2007 Special Olympics World Summer Games and deputy secretary-general of the Shanghai Municipal Government. He has extensive experience in the leadership role in government authorities and in corporate operation and management.

Mr. ZHOU Jie *Executive Director, Vice Chairman, Chief Executive Officer*

(Appointed on 5 January 2002 ~ 18 January 2004)

Re-appointed on 19 November 2007 ~ Present)

Mr. Zhou, aged 47, is an executive director and the president of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), the chairman of Nanyang Brothers Tobacco Company, Limited, a director of The Wing Fat Printing Company, Limited and certain other subsidiaries of the Group. Mr. Zhou graduated from Shanghai Jiaotong University with a master's degree in management science and engineering. He is a non-executive director of Shanghai Pharmaceuticals Holdings Co., Ltd. and Semiconductor Manufacturing International Corporation. He was the deputy general manager of the investment banking head office of Shanghai Wanquo Holdings Ltd. (now Shenyin & Wanguo Securities Co., Ltd.). He joined SIIC in May 1996 and had held the positions of the chairman and general manager of Shanghai S.I. Capital Co., Ltd. He has over 20 years' experience in corporate management, investment banking and capital markets operation.

Mr. LU Shen *Executive Director, Executive Deputy CEO*

(Appointed on 19 January 2004 ~ 19 December 2005)

Re-appointed on 25 April 2012 ~ Present)

Mr. Lu, aged 58, is an executive director and the executive vice president of Shanghai Industrial Investment (Holdings) Company Limited, the chairman of Shanghai Industrial Development Co., Ltd. ("SI Development") and a director of certain other subsidiaries of the Group. Mr. Lu joined the Group as an executive director of SIIC Medical Science and Technology (Group) Limited in September 2003. He graduated from Shanghai Technology University with a bachelor's degree in wireless engineering and obtained a master's degree in business administration from Shanghai Jiaotong University, and is designated a senior economist. Mr. Lu was the chairman of Shanghai City Hotel, a director and deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., a director and general manager of Shanghai Industrial United Holdings Co., Ltd., the chairman of Shanghai Far East International Bridge Construction Co., Ltd. and the vice chairman and president of SI Development. He has extensive working experience in corporate management.

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

Mr. ZHOU Jun

Executive Director, Deputy CEO

(Appointed on 15 April 2009 ~ Present)

Mr. Zhou, aged 46, is an executive director and a vice president of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He is also the executive chairman of SIIC Environment Holdings Ltd., the chairman of SIIC Management (Shanghai) Ltd., Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Shen-Yu Development Co., Ltd. and an executive director of Shanghai Industrial Urban Development Group Limited and certain other subsidiaries of the Group. He is also an independent non-executive director of Zhejiang Expressway Co., Ltd. He graduated from Nanjing University and Fudan University with a bachelor's and a master's degree in economics (international finance), and is designated an economist. He was appointed as a Deputy CEO of the Company in December 2005 and currently is the chairman of Shanghai Galaxy Investments Co., Ltd. ("Shanghai Galaxy"). He worked for Guotai Securities Co., Ltd. (now Guotai Junan Securities Co.) before joining SIIC in April 1996. The management positions he had held within the SIIC group of companies were deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., deputy general manager of Shanghai United Industrial Co., Ltd., director and general manager of Shanghai Galaxy and general manager of the strategic investment department of SIIC. Mr. Zhou is currently the chairman of Shanghai Shengtai Investment and Management Limited under Shanghai Charity Foundation. He has nearly 20 years' professional experience in mergers and acquisitions, securities, finance, real estate, project planning and corporate management.

Mr. XU Bo

Executive Director, Deputy CEO

(Appointed on 28 December 2012 ~ Present)

Mr. Xu, aged 52, is a vice president, the chief financial controller and the general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Company Limited, a director of Nanyang Brothers Tobacco Company, Limited, and certain other subsidiaries of the Group. He holds a bachelor's degree and a master's degree in business administration and is designated a deputy professor. Mr. Xu was an executive deputy officer of the accounting department of Shanghai Lixin University of Commerce, a deputy general manager and chief financial officer of Shanghai Hualian Co., Ltd., an executive director, deputy general manager and chief financial officer of Shanghai Bailian Group Co., Ltd., a vice president of Bailian Group Co., Ltd. and a non-executive director of Lianhua Supermarket Holdings Co., Ltd. He has over 20 years' experience in finance and corporate management.

Independent Non-Executive Directors

Dr. LO Ka Shui

Independent Non-Executive Director

(Appointed on 15 March 1996 ~ Present)

Dr. Lo, aged 68, is the Chairman and Managing Director of Great Eagle Holdings Limited, the Chairman and Non-executive Director of the Manager of the publicly listed trusts, Champion Real Estate Investment Trust and Langham Hospitality Investments. He is an Independent Non-executive Director of Phoenix Satellite Television Holdings Limited, China Mobile Limited and City e-Solutions Limited, all of which are companies whose shares are listed on the Hong Kong Stock Exchange. Dr. Lo is also a Vice President of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority and a Vice Chairman of The Chamber of Hong Kong Listed Companies. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has over three decades of experience in property and hotel development and investment both in Hong Kong and overseas.

Prof. WOO Chia-Wei *Independent Non-Executive Director*

(Appointed on 15 March 1996 ~ Present)

Prof. Woo, aged 77, is Senior Advisor of Shui On Holdings Limited and President Emeritus of the Hong Kong University of Science and Technology. In addition, Prof. Woo is currently an independent non-executive director of First Shanghai Investments Limited, a Hong Kong listed company.

Mr. LEUNG Pak To, Francis *Independent Non-Executive Director*

(Appointed on 15 March 1996 ~ Present)

Mr. Leung, aged 60, has over 30 years of experience in corporate finance involving in capital raisings, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general corporate finance advisory activities in Hong Kong and China. He is non-executive director of Imagi International Holdings Limited and Sun Hung Kai & Co. Limited and a member of the 12th National Committee of the Chinese People's Political Consultative Conference. In 1980, he graduated with a master's degree in business administration from University of Toronto, Canada.

Mr. CHENG Hoi Chuen, Vincent *Independent Non-Executive Director*

(Appointed on 13 November 2012 ~ Present)

Mr. Cheng, aged 66, is the adviser to the group chief executive of HSBC Holdings plc and is also an independent non-executive director of Great Eagle Holdings Limited, MTR Corporation Limited, Hui Xian Asset Management Limited (manager of the publicly listed Hui Xian Real Estate Investment Trust), CLP Holdings Limited, China Minsheng Banking Corp., Ltd. Wing Tai Properties Limited and Hutchison Whampoa Limited. He is the former chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Limited. Mr. Cheng is the chairman of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR and a member of the Advisory Committee on Post-service Employment of Civil Servants, a vice patron of Community Chest of Hong Kong and the chairman of the Council of The Chinese University of Hong Kong. He is also a senior adviser to the Beijing Municipal Committee of the National Committee of the Chinese People's Political Consultative Conference ("CPPCC") and was a member of the National Committee of CPPCC. He was conferred the doctoral degree of social science, honoris causa, by The Chinese University of Hong Kong and the doctoral degree of business administration, honoris causa, by The Open University. Mr. Cheng also holds a bachelor of social science degree in economics from The Chinese University of Hong Kong and a master of philosophy degree in economics from The University of Auckland, New Zealand.

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

SENIOR MANAGEMENT

Mr. LI Han Sheng

Mr. Li, aged 51, was appointed a Deputy CEO of the Company in April 2012. He is also a general manager of human resources department of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He graduated from East China University of Science and Technology, Shanghai Technology University and Murdoch University with a bachelor's degree of science in engineering, a master's degree in computer science and a master's degree in business administration, and is designated a senior engineer. He was an officer of the information centre of Shanghai Wugang Holdings Ltd. engaged in enterprise management and information technology. He joined SIIC in September 1999, and was a director, the assistant general manager of operations management and cooperation department, deputy general manager of the administration department and secretary to chairman. He was also the head of the information technology department of the Company. He has more than 20 years' experience of corporate management and information technology.

Mr. FENG Jun

Mr. Feng, aged 51, was appointed an Assistant CEO and the Chief Investment Officer of the Company in June 2013. He is also an executive director of SIIC Environment Holdings Ltd. and a director of Nanyang Brothers Tobacco Company, Limited. He graduated from the Economics and Management School of Wuhan University and obtained a master's degree in economics. Mr. Feng was a deputy manager of trust department of Shanghai International Trust Co., a director and vice president of SIIC Investment Company Limited and a director and deputy general manager of The Tien Chu (Hong Kong) Company Limited. He has over 27 years' experience in capital markets operation.

PROFESSIONAL STAFF

Mr. YEE Foo Hei, Jackson

Mr. Yee, aged 51, joined the Company in September 2010. He is the Company Secretary and the Chief Legal and Compliance Officer of the Company. He graduated from City Polytechnic of Hong Kong (now City University of Hong Kong) and University of Wolverhampton, UK with a professional diploma in company secretaryship and administration and a LLB degree respectively. Mr. Yee is a fellow member of The Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries & Administrators and The Association of Chartered Certified Accountants. Mr. Yee has more than 20 years' practical company secretarial experience in international accountancy firm, multi-national conglomerate and large-scale PRC stated-owned enterprise.

Ms. CHAN Yat Ying, Cherie

Ms. Chan, aged 47, joined the Company in November 1996. She is the Chief Financial Officer and an Assistant CEO of the Company and a director of certain other subsidiaries of the Group. Ms. Chan is also a deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Company Limited and a member of the supervisory committee of Shanghai Industrial Development Co., Ltd. She graduated from University of Hong Kong with a bachelor's degree in social sciences. She also holds a master's degree in financial management awarded by the University of London. Ms. Chan is a member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Chinese Institute of Certified Public Accountants. She has extensive working experience in banking and accounting professions.

SENIOR MANAGEMENT OF MEMBER COMPANIES**Mr. JI Gang**

Mr. Ji, aged 57, is a director of Shanghai Industrial Investment (Holdings) Company Limited, the chairman and president of Shanghai Industrial Urban Development Group Limited and a director of certain other subsidiaries of the Group. He graduated from Fudan University with a master's degree in economics and is designated a senior economist. Mr. Ji was the vice chairman and president of Shanghai Industrial Development Co., Ltd., the general manager of Zhongya Hotel, the chairman and general manager of Shanghai Everbright City Services Co., Ltd., an officer of the Commercial Committee and Economic Committee of the Municipal People's Government of Zhabei District, Shanghai, a vice president of SIIC Dongtan Investment & Development (Holdings) Co., Ltd., the president of Shanghai SIIC Urban Development Investment Co., Ltd. and an executive director and the president of SIIC Investment Co., Ltd. etc. He has over 37 years' experience in corporate management.

Mr. TANG Jun

Mr. Tang, aged 47, is a director and president of Shanghai Industrial Development Co., Ltd. and a director of certain other subsidiaries of the Group. He graduated from University of South Australia with a master's degree in business administration and holds the designation of a senior auditor, and is an associate of The Chinese Institute of Certified Public Accountants. Mr. Tang was an Executive Director of the Company, the general manager of the internal audit department and deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Company Limited and the Deputy Director of the Foreign Funds Utilization Audit Department, Shanghai Municipal Audit Office, and has over 20 years' practical experience in the fields of auditing and finance.

Mr. XU Xiao Bing

Mr. Xu, aged 48, is an executive director of SIIC Environment Holdings Ltd., a director and the general manager of SIIC Management (Shanghai) Ltd. ("SIIC Management"), the vice chairman of General Water of China Co., Ltd., a director of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Shen-Yu Development Co., Ltd., Shanghai SIIC South Pacific Hotel Co., Ltd. and the chief representative of Shanghai Representative Office of the Company. Mr. Xu graduated from Peking University with a master's degree in business administration. He was an investment and financial analyst of Beijing Jingfang Investment Management & Consultant Co., Ltd. under the Beijing Capital Group, and the deputy head of the investment planning department, the head of the enterprise management department and the deputy general manager of SIIC Management. He has over 20 years' experience in corporate management and investment planning.

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

Mr. XU Zhan

Mr. Xu, aged 45, an executive director of SIIC Environment Holdings Ltd. He graduated from Shanghai Jiaotong University and BI Norwegian School of Management with a bachelor's degree in engineering and a master's degree in management studies, and is a fellow member of The Association of Chartered Certified Accountants. Mr. Xu was assistant general manager of Shanghai Galaxy Investment Co., Ltd. ("Shanghai Galaxy"), assistant general manager of finance & planning department of Shanghai Industrial Investment (Holdings) Company Limited. He is currently the managing director of Shanghai Galaxy, chairman and general manager of SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd., Mr. Xu has several years' experience in finance and investment financing.

Mr. YANG Zhang Min

Mr. Yang, aged 52, is an executive director of SIIC Environment Holdings Ltd. Mr. Yang graduated from Tongji University with a bachelor's degree in environmental engineering and the School of Economic and Management of Tsinghua University with a master's degree in EMBA. He was the general manager of Shenzhen Longgang Baolong Industrial Co. and the chairman and general manager of Shenzhen Longgang Guotong Industrial Co., Ltd. He was the founder of United Environment Co. in the year 2003 and had been the chairman and general manager for years. He has over 20 years' experience in operation and management of water and environmental protection investment as well as project and administrative management.

Mr. DAI Wei Wei

Mr. Dai, aged 46, is a director and the general manager of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. and Shanghai Shen-Yu Development Co., Ltd. as well as a director of Shanghai Luqiao Development Co., Ltd. Mr. Dai graduated from Shanghai Tongji University and Fudan University and obtained a bachelor's degree in engineering and a master's degree in business administration respectively. He worked in Shanghai Mass Transit Railway Corporation, Shanghai Municipal Engineering Administration, Shanghai Jiajin Highway Development Co., Ltd. and SIIC Management (Shanghai) Ltd. He has over 20 years' experience in construction and management of infrastructure.

Mr. CHEN Wei Yi

Mr. Chen, aged 54, is a director and the general manager of Shanghai Luqiao Development Co., Ltd., a director of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. and Shanghai Shen-Yu Development Co., Ltd. Mr. Chen graduated from The People's Liberation Army of Institute of Electronic Engineering majored in radar engineering and obtained a bachelor's degree of science in engineering, and is designated a senior engineer. He was the deputy general manager of Shanghai Huang Pu River Tunnel and Bridges Development Co., Ltd. and the general manager of Shanghai CITIC Tunnel Development Co., Ltd. He has extensive experience in operation management and maintenance of bridge, tunnel and highway.

Mr. QIAN Yi

Mr. Qian, aged 61, is the vice chairman and the general manager of Nanyang Brothers Tobacco Company, Limited and certain other subsidiaries of the Group. He graduated from Fudan University with a bachelor's degree in enterprise management and obtained a master's degree in business administration from East China Normal University. He holds the designation of senior economist. Mr. Qian was an Executive Director and a Deputy CEO of the Company, the vice chairman and the executive president of Shanghai Sunway Biotech Co., Ltd., deputy head of Shanghai Boiler Works Ltd., deputy chief economist of Shanghai Electric (Group) Corp. and the head of Shanghai Heavy Machinery Plant. He has extensive experience in enterprise management.

Mr. XU Guo Xiong

Mr. Xu, aged 58, is the chairman and chief executive officer of The Wing Fat Printing Company, Limited and the chairman of The Wing Fat Printing (Hong Kong) Limited and Wingfat (Dongguan) Printing Co., Ltd.. He is also a vice president of China Packaging Federation. Mr. Xu graduated from Shanghai Normal University majored in Chinese language and literature and Asia International Open University (Macau) with a master's degree in business administration, and is designated a senior policy advisor. He was the president and executive director of the Shanghai Pharmaceuticals Holdings Co., Ltd., an executive director and vice president of Shanghai Pharmaceutical (Group) Co., Ltd., the general manager's assistant and deputy general manager of Shanghai Bicycle Group Co., Ltd, the general manager of the department of industry and the president's assistant of China Hua Yuan Group Co., Ltd, the vice chairman and general manager of Hua Yuan Kai Ma Machinery Co., Ltd., the vice chairman of the China Pharmaceutical Industry Research and Development Association and the vice chairman of China Pharmaceutical Industry Association. He has extensive experience in the decision-making and operations management in large enterprises.

Mr. JIN Guo Ming

Mr. Jin, aged 54, is a director and the general manager of The Wing Fat Printing Company, Limited. He is also the chairman of Wingfat (Sichuan) Printing Co., Ltd. and Shengshi International Trade (Shanghai) Co., Ltd. He graduated from Zhejiang Institute of Metallurgy Economic and obtained a master's degree in business management from South Australia University. He holds the designation of international business engineer. Mr. Jin has over 30 years of experience in the printing and packaging industry.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the businesses of infrastructure facilities, real estate and consumer products.

PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the principal subsidiaries, joint ventures and associates as at 31 December 2014 are set out in Notes 54, 55 and 56 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss on page 73 of this Annual Report.

An interim dividend of HK45 cents per share amounting to HK\$487,243,000 was paid to the shareholders during the year. The Directors recommend the payment of a final dividend of HK45 cents per share to the shareholders whose names appear on the register of members of the Company on 5 June 2015.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the year ended 31 December 2014 and the previous four years is set out on page 188 of this Annual Report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in Note 40 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in Note 42 to the consolidated financial statements respectively.

INVESTMENT PROPERTIES

As at 31 December 2014, the investment properties of the Group were revalued by independent property valuers with reference to market evidence of transaction prices for similar properties in similar locations and conditions or on the basis of income approach, or investment approach, where appropriate, at approximately HK\$15,979 million. Details are set out in Note 16 to the consolidated financial statements.

Particulars of the Group's major properties held for investment purposes as at 31 December 2014 are set out on pages 189 and 190 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and the Company 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 were:

Executive Directors

Wang Wei	<i>(Chairman)</i>	
Zhou Jie	<i>(Vice Chairman & Chief Executive Officer)</i>	
Lu Shen	<i>(Executive Deputy CEO)</i>	
Zhou Jun	<i>(Deputy CEO)</i>	
Xu Bo	<i>(Deputy CEO)</i>	
Ni Jian Da	<i>(Deputy CEO)</i>	(appointed on 20 February 2014 and resigned on 2 February 2015)
Qian Yi		(resigned on 20 February 2014)

Independent Non-Executive Directors

Lo Ka Shui
 Woo Chia-Wei
 Leung Pak To, Francis
 Cheng Hoi Chuen, Vincent

The biographical details of the Directors are set out on pages 55 to 57 of this Annual Report. Details of Directors' emoluments are set out in Note 13 to the consolidated financial statements.

In accordance with the Company's articles of association, the Directors of the Company (including the Independent Non-Executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Xu Bo, Dr. Lo Ka Shui and Prof. Woo Chia-Wei shall retire by rotation at the forthcoming annual general meeting. All of them, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

DISCLOSURE UNDER RULE 13.51B(1) OF THE LISTING RULES

Change in Directors' information since the date of the interim report 2014 up to the date of this report is set out below:

Mr. Leung Pak To, Francis

- resigned as the chairman of Imagi International Holdings Limited on 16 September 2014 and remains as non-executive director.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(I) Interests in shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of issued ordinary shares held	Number of outstanding share options (Note 2)	Total	Approximate percentage of the issued shares
Zhou Jie	Beneficial owner	Personal	333,000	1,530,000	1,863,000	0.17%
Lu Shen	Beneficial owner	Personal	-	1,350,000	1,350,000	0.12%
Zhou Jun	Beneficial owner	Personal	195,000	1,350,000	1,545,000	0.14%
Xu Bo	Beneficial owner	Personal	-	600,000	600,000	0.06%
Lo Ka Shui	Beneficial owner	Personal	766,560	216,000	982,560	0.09%
Woo Chia-Wei	Beneficial owner	Personal	-	216,000	216,000	0.02%
Leung Pak To, Francis	Beneficial owner	Personal	-	216,000	216,000	0.02%

Notes:

- All interests stated above represent long positions.
- Such long position represents underlying shares derived from unlisted and physically-settled derivatives.

(II) Interests in shares and underlying shares of associated corporations*SI Urban Development*

Name of Director	Capacity	Nature of interests	Number of outstanding share options (Note 2)	Approximate percentage of the issued shares
Zhou Jun	Beneficial owner	Personal	7,000,000	0.15%
Ni Jian Da ^(Note 3)	Beneficial owner	Personal	8,000,000	0.17%

Notes:

1. All interests stated above represent long positions.
2. Such long position represents underlying shares derived from unlisted and physically-settled derivatives.
3. Mr. Ni Jian Da was appointed as a Director on 20 February 2014 and subsequently resigned on 2 February 2015.

Shanghai Pharmaceuticals

Name of Director	Class of shares	Capacity	Nature of interests	Number of outstanding shares held	Approximate percentage of the issued shares
Lu Shen	A share	Beneficial owner	Personal	6,440	0.0002%
Lo Ka Shui	H share	Founder of a discretionary trust	Other	4,000,000	0.52%

Note: All interests stated above represent long positions.

Save as disclosed above, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2014.

DIRECTORS' REPORT

SHARE OPTIONS

Particulars of the share option schemes adopted by the Group are set out in note 41 to the consolidated financial statements.

(I) SIHL Scheme

The SIHL Scheme was valid and effective for a period of 10 years commencing the date of its adoption and was terminated on 25 May 2012 as approved by the shareholders of the Company. During the year, the movements in the share options to subscribe for the Company's shares under the SIHL Scheme were as follows:

		Number of shares issuable under the share options					
		Exercise price per share HK\$	Outstanding at 1.1.2014	Exercised during the year	Reclassified during the year	Cancelled during the year	Outstanding at 31.12.2014
Date of grant							
Category 1: Directors							
Zhou Jie	2.11.2010	36.60	850,000	-	-	-	850,000
	20.9.2011	22.71	680,000	-	-	-	680,000
Lu Shen	2.11.2010	36.60	750,000	-	-	-	750,000
	20.9.2011	22.71	600,000	-	-	-	600,000
Zhou Jun	2.11.2010	36.60	750,000	-	-	-	750,000
	20.9.2011	22.71	600,000	-	-	-	600,000
Xu Bo	16.5.2012	23.69	600,000	-	-	-	600,000
Lo Ka Shui	2.11.2010	36.60	120,000	-	-	-	120,000
	20.9.2011	22.71	96,000	-	-	-	96,000
Woo Chia-Wei	2.11.2010	36.60	120,000	-	-	-	120,000
	20.9.2011	22.71	96,000	-	-	-	96,000
Leung Pak To, Francis	2.11.2010	36.60	120,000	-	-	-	120,000
	20.9.2011	22.71	96,000	-	-	-	96,000
Qian Yi ^(Note)	2.11.2010	36.60	750,000	-	(750,000)	-	-
	20.9.2011	22.71	600,000	-	(600,000)	-	-
Total			6,828,000	-	(1,350,000)	-	5,478,000
Category 2: Employees							
	2.11.2010	36.60	9,170,000	-	750,000	-	9,920,000
	20.9.2011	22.71	8,620,000	-	600,000	-	9,220,000
	16.5.2012	23.69	544,000	-	-	-	544,000
Total			18,334,000	-	1,350,000	-	19,684,000
Category 3: Others							
	2.11.2010	36.60	11,440,000	-	-	(120,000)	11,320,000
	20.9.2011	22.71	5,855,000	(10,000)	-	-	5,845,000
Total			17,295,000	(10,000)	-	(120,000)	17,165,000
Total for all categories			42,457,000	(10,000)	-	(120,000)	42,327,000

Note: Mr. Qian Yi resigned as a Director on 20 February 2014.

Share options granted in November 2010 are exercisable during the period from 3 November 2010 to 2 November 2015 in three batches, being:

- 3 November 2010 to 2 November 2011 (up to 40% of the share options granted are exercisable)
- 3 November 2011 to 2 November 2012 (up to 70% of the share options granted are exercisable)
- 3 November 2012 to 2 November 2015 (all share options granted are exercisable)

Share options granted in September 2011 are exercisable during the period from 21 September 2011 to 20 September 2016 in three batches, being:

- 21 September 2011 to 20 September 2012 (up to 40% of the share options granted are exercisable)
- 21 September 2012 to 20 September 2013 (up to 70% of the share options granted are exercisable)
- 21 September 2013 to 20 September 2016 (all share options granted are exercisable)

Share options granted in May 2012 are exercisable during the period from 17 May 2012 to 16 May 2017 in three batches, being:

- 17 May 2012 to 16 May 2013 (up to 40% of the share options granted are exercisable)
- 17 May 2013 to 16 May 2014 (up to 70% of the share options granted are exercisable)
- 17 May 2014 to 16 May 2017 (all share options granted are exercisable)

During the year, the weighted average closing price of the Company's shares immediately before the respective dates on which the share options were exercised is HK\$28.13.

(II) SIHL New Scheme

The SIHL New Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the year, no options were granted or outstanding under the SIHL New Scheme.

(III) SI Urban Development Scheme

The SI Urban Development Scheme was valid and effective for a period of 10 years commencing the date of its adoption and expired on 11 December 2012. During the year, the movements in the share options to subscribe for SI Urban Development's shares under the SI Urban Development Scheme were as follows:

	Date of grant	Exercise price per share HK\$	Number of shares issuable under the share options		
			Outstanding at 1.1.2014	Reclassified during the year	Outstanding at 31.12.2014
Category 1: Directors of SI Urban Development, who are also Directors of the Company					
Zhou Jun	24.9.2010	2.98	7,000,000	-	7,000,000
Ni Jian Da ^(Note)	24.9.2010	2.98	-	8,000,000	8,000,000
			7,000,000	8,000,000	15,000,000
Category 2: Other directors of SI Urban Development	24.9.2010	2.98	31,000,000	(8,000,000)	23,000,000
Category 3: Employees of SI Urban Development	24.9.2010	2.98	12,750,000	-	12,750,000
Category 4: Others	24.9.2010	2.98	7,000,000	-	7,000,000
Total for all categories			57,750,000	-	57,750,000

Note: Mr. Ni Jian Da was appointed as a Director on 20 February 2014 and resigned as a Director of both the Company and SI Urban Development on 2 February 2015.

DIRECTORS' REPORT

Share options granted in September 2010 are exercisable during the period from 24 September 2010 to 23 September 2020 in three batches, being:

- 24 September 2010 to 23 September 2011 (up to 40% of the share options granted are exercisable)
- 24 September 2011 to 23 September 2012 (up to 70% of the share options granted are exercisable)
- 24 September 2012 to 23 September 2020 (all share options granted are exercisable)

(IV) SI Urban Development New Scheme

The SI Urban Development New Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the year, no options were granted or outstanding under the SI Urban Development New Scheme.

(V) SI Environment Scheme

The SI Environment Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the year, no options were granted or outstanding under the SI Environment Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES OF THE COMPANY

Save as disclosed under the section "Share Options" above, at no time during the year was the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, or any of its holding companies, or any of its subsidiaries or fellow 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the interests and short positions of the substantial shareholders of the Company and other persons, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name of shareholder	Capacity	Nature of interests	Number of issued ordinary shares beneficially held	Approximate percentage of the issued shares
SIIC	Interests held by controlled corporations	Corporate	624,402,748 <small>(Notes 1 & 2)</small>	57.67%

Notes:

1. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, SIIC Trading Company Limited, South Pacific International Trading Limited, Billion More Investments Limited, The Tien Chu Ve Tsin (Hong Kong) Company Limited, SIIC Treasury (B.V.I.) Limited, South Pacific Hotel Limited and SIIC CM Development Limited held 519,409,748 shares, 80,000,000 shares, 13,685,000 shares, 6,506,000 shares, 1,479,000 shares, 1,219,000 shares, 1,168,000 shares, 550,000 shares, 376,000 shares and 10,000 shares of the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforementioned companies.
2. All interests stated above represent long positions.

Save as disclosed above, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2014.

CONNECTED TRANSACTIONS

Details of the connected transactions and continuing connected transactions for the year are set out in note 51(I) to the consolidated financial statements. Save as disclosed therein, there were no other connected transactions and continuing connected transactions, other than those which are exempt from the reporting, announcement and independent shareholders' approval requirements, which need to be disclosed as connected transactions and continuing connected transactions in accordance with the requirements of Appendix 16 to the Listing Rules.

Pursuant to Rule 14A.38 of the Listing Rules, the Directors engaged the auditor of the Company to perform certain works on continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided a letter to the Directors of the Company and confirmed that, for the year ended 31 December 2014, the continuing connected transactions:

- (i) had received the approval of the Directors of the Company;
- (ii) involving the provision of services by the Group, if any, had been entered into in accordance with the pricing policies of the Company;
- (iii) had been entered into in accordance with the terms of the relevant agreements governing such transactions; and
- (iv) had not exceeded the relevant cap amounts for the financial year ended 31 December 2014.

The Independent Non-Executive Directors have reviewed the continuing connected transactions set out in Note 51(I) to the consolidated financial statements and in their opinion, those transactions were entered into by the Group:

- (i) in the ordinary course of business of the Group;
- (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year are set out in Note 51(II) to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, both the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total sales and purchases respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 50 to the consolidated financial statements.

DIRECTORS' REPORT

EVENT AFTER THE REPORTING PERIOD

Details of a significant event occurring after the reporting period are set out in Note 60 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this Annual Report, based on publicly available information and within the knowledge of the Directors of the Company, 42.33% of the issued share capital of the Company is held by the public.

The Company has maintained a sufficient public float throughout the year ended 31 December 2014.

CORPORATE GOVERNANCE

The corporate governance principles and practices adopted by the Company are set out in the Corporate Governance Report on pages 35 to 45 of this Annual Report.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board



Wang Wei
Chairman

Hong Kong, 30 March 2015

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE MEMBERS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED

上海實業控股有限公司

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 73 to 187, which comprise the consolidated and Company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance (Cap. 622) (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 80 of Schedule 11 to the Hong Kong Companies Ordinance, 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.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, 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 Hong Kong Companies Ordinance.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Revenue	6	19,967,066	21,567,724
Cost of sales		(12,391,654)	(15,261,364)
Gross profit		7,575,412	6,306,360
Net investment income	7	804,636	660,489
Other income, gains and losses		560,952	799,927
Selling and distribution costs		(811,522)	(872,222)
Administrative and other expenses		(1,886,887)	(1,982,151)
Finance costs	8	(1,359,195)	(1,199,557)
Share of results of joint ventures		165,508	79,730
Share of results of associates		33,946	22,788
Gain on disposal of the Feng Qi Group	34(V)	1,716,165	-
Gain on disposal of assets through disposal of subsidiaries	45(IV)	-	819,125
Net gain on disposal/deemed partial disposal of interests in other subsidiaries, joint ventures and associates	9	302,311	215,116
Impairment loss on available-for-sale investments	10	(342,427)	(15,852)
Profit before taxation		6,758,899	4,833,753
Income tax expense	11	(2,466,902)	(1,389,533)
Profit for the year	12	4,291,997	3,444,220
Profit for the year attributable to			
– Owners of the Company		3,069,003	2,702,418
– Non-controlling interests		1,222,994	741,802
		4,291,997	3,444,220
		HK\$	HK\$
Earnings per share	15		
– Basic		2.834	2.500
– Diluted		2.634	2.374

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Profit for the year	4,291,997	3,444,220
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
– subsidiaries	(1,128,241)	1,287,314
– joint ventures	(85,222)	54,318
– associates	(58,502)	61,565
Fair value change on available-for-sale investments held by		
– subsidiaries	286,975	37,543
– a joint venture	22,737	3,075
Impairment loss on available-for-sale investments	23,775	15,852
Reclassification on disposal of available-for-sale investments	(2,633)	(11,306)
Reclassification of translation reserve upon disposal/deemed partial disposal of		
– the Feng Qi Group	(1,256)	–
– interests in other subsidiaries	(984)	(3,699)
– interest in a joint venture	(10,308)	–
– interest in an associate held for sale	–	(24,503)
Other comprehensive (expense) income for the year	(953,659)	1,420,159
Total comprehensive income for the year	3,338,338	4,864,379
Total comprehensive income for the year attributable to		
– Owners of the Company	2,451,631	3,546,446
– Non-controlling interests	886,707	1,317,933
	3,338,338	4,864,379

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Non-Current Assets			
Investment properties	16	15,979,200	9,779,462
Property, plant and equipment	17	4,657,924	3,599,557
Prepaid lease payments – non-current portion	18	283,248	137,364
Toll road operating rights	19	12,633,146	13,674,748
Other intangible assets	20	1,963,325	1,428,855
Interests in joint ventures	22	3,351,253	2,629,143
Interests in associates	23	2,636,196	2,047,043
Investments	25	1,005,180	1,127,334
Receivables under service concession arrangements – non-current portion	26	4,379,747	3,745,186
Deposit paid on acquisition of a subsidiary	27	–	156,399
Deposits paid on acquisition of property, plant and equipment	27	171,727	56,474
Restricted bank deposits	28	–	85,288
Deferred tax assets	29	315,418	260,075
		47,376,364	38,726,928
Current Assets			
Inventories	30	47,007,200	47,942,059
Trade and other receivables	31	4,940,367	6,198,674
Prepaid lease payments – current portion	18	6,143	3,490
Investments	25	490,200	542,117
Receivables under service concession arrangements – current portion	26	137,176	115,426
Amounts due from customers for contract work	32	87,499	94,259
Prepaid taxation		201,470	512,636
Pledged bank deposits	33	742,973	512,231
Short-term bank deposits	33	469,736	548,044
Bank balances and cash	33	25,119,702	25,975,351
		79,202,466	82,444,287
Assets classified as held for sale	34	691,728	1,238,810
		79,894,194	83,683,097

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Current Liabilities			
Trade and other payables	35	16,168,861	14,694,333
Customer deposits from sales of properties	36	3,088,017	9,122,413
Amounts due to customers for contract work	32	30,681	20,409
Taxation payable		3,411,953	3,219,064
Bank and other borrowings	37	18,431,868	12,960,798
Senior notes	39	–	1,994,842
		41,131,380	42,011,859
Liabilities associated with assets classified as held for sale	34	28	655,630
		41,131,408	42,667,489
Net Current Assets		38,762,786	41,015,608
Total Assets less Current Liabilities		86,139,150	79,742,536
Capital and Reserves			
Share capital	40	13,527,827	108,275
Share premium and reserves	40	21,990,189	34,837,749
Equity attributable to owners of the Company		35,518,016	34,946,024
Non-controlling interests		17,884,803	17,433,790
Total Equity		53,402,819	52,379,814
Non-Current Liabilities			
Provision for major overhauls	26	78,934	77,810
Bank and other borrowings	37	22,283,617	17,903,927
Convertible bonds	38	3,826,613	3,742,607
Deferred tax liabilities	29	6,547,167	5,638,378
		32,736,331	27,362,722
Total Equity and Non-Current Liabilities		86,139,150	79,742,536

The consolidated financial statements on pages 73 to 187 were approved and authorised for issue by the board of directors on 30 March 2015 and are signed on its behalf by:



Zhou Jie
Chief Executive Officer



Xu Bo
Deputy CEO

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Non-Current Assets			
Property, plant and equipment	17	2,904	4,129
Investments in subsidiaries	21	741,691	741,691
Interest in a joint venture	22	374,906	384,123
Amount due from a subsidiary	24	1,249,688	–
Investments	25	59,270	59,270
		2,428,459	1,189,213
Current Assets			
Deposits, prepayments and other receivables		62,552	60,283
Amounts due from subsidiaries	24	31,009,003	33,430,356
Investments	25	51,512	157,457
Bank balances and cash	33	4,354,348	2,744,519
		35,477,415	36,392,615
Current Liabilities			
Other payables and accrued charges		46,952	41,784
Amounts due to subsidiaries	24	4,304,862	5,045,985
Taxation payable		207,275	204,614
Bank borrowings	37	1,249,271	1,280,410
		5,808,360	6,572,793
Net Current Assets			
		29,669,055	29,819,822
Total Assets less Current Liabilities			
		32,097,514	31,009,035
Capital and Reserves			
Share capital	40	13,527,827	108,275
Share premium and reserves	42	14,637,669	27,007,342
Total Equity			
		28,165,496	27,115,617
Non-Current Liability			
Amount due to a subsidiary	24	3,932,018	3,893,418
Total Equity and Non-Current Liability			
		32,097,514	31,009,035



Zhou Jie
Chief Executive Officer



Xu Bo
Deputy CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company												Attributable to non-controlling interests					
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Capital redemption reserve HK\$'000	Other revaluation reserve HK\$'000 (Note i)	Other reserve HK\$'000 (Note ii)	Merger reserve HK\$'000 (Note iii)	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC statutory reserves HK\$'000 (Note iv)	Retained profits HK\$'000	Sub-total HK\$'000	Deferred consideration shares of a listed subsidiary HK\$'000 (Note v)	Share options of listed subsidiaries HK\$'000	Share of net assets of subsidiaries HK\$'000	Sub-total HK\$'000	Total HK\$'000
At 1 January 2013	108,025	13,357,052	162,361	-	1,071	54,855	1,487,164	(5,871,681)	47,921	3,118,387	849,683	19,094,651	32,409,489	157,694	70,337	15,601,513	15,829,544	48,239,033
Profit for the year	-	-	-	-	-	-	-	-	-	-	2,702,418	2,702,418	-	-	741,802	741,802	3,444,220	
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	711,183	-	-	711,183	-	-	576,131	576,131	1,287,314	
- subsidiaries	-	-	-	-	-	-	-	-	54,318	-	-	54,318	-	-	-	-	54,318	
- joint ventures	-	-	-	-	-	-	-	-	61,565	-	-	61,565	-	-	-	-	61,565	
- associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fair value change on available-for-sale investments held by	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- subsidiaries	-	-	-	-	-	-	-	37,543	-	-	-	37,543	-	-	-	-	37,543	
- a joint venture	-	-	-	-	-	-	-	3,075	-	-	-	3,075	-	-	-	-	3,075	
Impairment loss on available-for-sale investments	-	-	-	-	-	-	-	15,852	-	-	-	15,852	-	-	-	-	15,852	
Reclassification on disposal of available-for-sale investments	-	-	-	-	-	-	-	(11,306)	-	-	-	(11,306)	-	-	-	-	(11,306)	
Reclassification on disposal of	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- interests in subsidiaries (Note 43(i))	-	-	-	-	-	-	-	-	(3,699)	-	-	(3,699)	-	-	-	-	(3,699)	
- interest in an associate held for sale	-	-	-	-	-	-	-	-	(24,503)	-	-	(24,503)	-	-	-	-	(24,503)	
Total comprehensive income for the year	-	-	-	-	-	-	-	-	45,164	798,864	-	2,702,418	3,546,446	-	-	1,317,933	1,317,933	4,864,379
Issue of shares upon exercise of share options	260	61,195	(4,632)	-	-	-	-	-	-	-	-	56,813	-	-	-	-	56,813	
Recognition of equity-settled share-based payments	-	-	5,904	-	-	-	-	-	-	-	-	5,904	-	-	-	-	5,904	
Transfers	-	-	-	-	-	-	-	-	-	87,858	(87,858)	-	-	-	-	-	-	
Capital contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	81,915	81,915	81,915	
Return of capital to non-controlling interests upon capital reduction of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(196,959)	(196,959)	(196,959)	
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	(127,053)	-	-	-	-	(127,053)	-	-	(274,868)	(274,868)	(401,921)	
Disposal of subsidiaries (Note 43(i))	-	-	-	-	-	-	-	(4)	-	-	(5,678)	5,862	-	-	(136,755)	(136,755)	(136,755)	
Deemed disposal of interest in a listed subsidiary upon issue of deferred consideration shares	-	-	-	-	-	-	(9,668)	-	-	-	-	(9,668)	(127,112)	-	136,780	9,668	-	
Deemed disposal of interest in a listed subsidiary upon shares placement (Note vi)	-	-	-	-	-	-	28,233	-	-	-	-	28,233	-	-	936,043	936,043	964,276	
Recognition of equity component of convertible bonds, net of related transaction costs (Note 38)	-	-	-	185,214	-	-	-	-	-	-	-	185,214	-	-	-	-	185,214	
Deferred tax liability on recognition of equity component of convertible bonds (Note 38)	-	-	-	(70,772)	-	-	-	-	-	-	-	(70,772)	-	-	-	-	(70,772)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(130,286)	(130,286)	(130,286)	
Transfer to retained profits upon cancellation of share options of listed subsidiaries	-	-	-	-	-	-	-	-	-	-	2,445	2,445	-	(3,495)	1,050	(2,445)	-	
Dividends paid (Note 14)	-	-	-	-	-	-	-	-	-	-	(1,081,027)	(1,081,027)	-	-	-	-	(1,081,027)	
At 31 December 2013	108,275	13,418,247	163,633	114,442	1,071	54,855	1,378,676	(5,871,685)	93,085	3,917,251	931,663	20,636,511	34,944,024	30,562	66,842	17,336,366	17,433,790	52,379,614

	Attributable to owners of the Company													Attributable to non-controlling interests				
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Capital redemption reserve HK\$'000	Other revaluation reserve HK\$'000 (Note i)	Other reserve HK\$'000 (Note ii)	Merger reserve HK\$'000 (Note iii)	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC statutory reserves HK\$'000 (Note iv)	Retained profits HK\$'000	Sub-total HK\$'000	Deferred consideration shares of a listed subsidiary HK\$'000 (Note v)	Share options reserve of listed subsidiaries HK\$'000	Share of net assets of subsidiaries HK\$'000	Sub-total HK\$'000	Total HK\$'000
At 1 January 2014	108,275	13,418,247	163,633	114,442	1,071	54,855	1,378,676	(6,871,689)	93,085	3,917,251	931,663	20,636,511	34,946,024	30,582	66,842	17,336,366	17,433,790	52,379,814
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	3,069,003	3,069,003	-	-	1,222,994	1,222,994	4,291,997
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- subsidiaries	-	-	-	-	-	-	-	-	-	(665,038)	-	-	(665,038)	-	-	(463,203)	(463,203)	(1,128,241)
- joint ventures	-	-	-	-	-	-	-	-	-	(85,222)	-	-	(85,222)	-	-	-	-	(85,222)
- associates	-	-	-	-	-	-	-	-	-	(68,502)	-	-	(68,502)	-	-	-	-	(68,502)
Fair value change on available-for-sale investments held by	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- subsidiaries	-	-	-	-	-	-	-	-	160,059	-	-	-	160,059	-	-	126,916	126,916	286,975
- a joint venture	-	-	-	-	-	-	-	-	22,737	-	-	-	22,737	-	-	-	-	22,737
Impairment loss on available-for-sale investments	-	-	-	-	-	-	-	-	23,775	-	-	-	23,775	-	-	-	-	23,775
Reclassification on disposal of available-for-sale investments	-	-	-	-	-	-	-	-	(2,633)	-	-	-	(2,633)	-	-	-	-	(2,633)
Reclassification on disposal/ deemed partial disposal of	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- the Feng Qi Group (Note 34(V))	-	-	-	-	-	-	-	-	-	(1,256)	-	-	(1,256)	-	-	-	-	(1,256)
- interests in other subsidiaries (Note 45(III))	-	-	-	-	-	-	-	-	-	(964)	-	-	(964)	-	-	-	-	(964)
- interest in a joint venture	-	-	-	-	-	-	-	-	-	(10,308)	-	-	(10,308)	-	-	-	-	(10,308)
Total comprehensive income (expense) for the year	-	-	-	-	-	-	-	-	203,938	(821,310)	-	3,069,003	2,451,631	-	-	886,707	886,707	3,338,338
Issue of shares upon exercise of share options	114	120	(19)	-	-	-	-	-	-	-	-	-	215	-	-	-	-	215
Recognition of equity-settled share-based payments	-	-	164	-	-	-	-	-	-	-	-	-	164	-	-	-	-	164
Transfers	-	-	-	-	-	-	-	-	-	208,867	(208,867)	-	-	-	-	-	-	-
Transfers upon abolition of par value under the new Hong Kong Companies Ordinance (Note 40)	13,419,438	(13,418,367)	-	-	(1,071)	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	293,296	293,296	293,296
Acquisition of a subsidiary from SIC	-	-	-	-	-	-	-	(18)	-	(568)	903	(26,579)	(26,262)	-	-	(5,212)	(5,212)	(31,474)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	(1,092,830)	-	-	-	-	-	(1,092,830)	-	-	(1,257,345)	(1,257,345)	(2,350,175)
Acquisition of Continental Land (Note 43(I))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44,481	44,481	44,481
Deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,990)	(16,990)	(16,990)
Disposal of subsidiaries (Note 45(III))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(37,946)	(37,946)	(37,946)
Disposal of a disposal group classified as held for sale (Note 34(V))	-	-	-	-	-	-	(21,181)	153,328	-	-	(6,358)	(126,789)	-	-	-	(81,400)	(81,400)	(81,400)
Deemed disposal of interest in a listed subsidiary upon shares placement (Note v)	-	-	-	-	-	-	213,560	-	-	-	-	-	213,560	-	-	744,481	744,481	958,041
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(119,059)	(119,059)	(119,059)
Dividends paid (Note 14)	-	-	-	-	-	-	-	-	-	-	-	(974,486)	(974,486)	-	-	-	-	(974,486)
At 31 December 2014	13,527,827	-	163,778	114,442	-	54,855	478,225	(6,718,379)	297,023	3,095,373	1,136,075	22,368,793	35,518,016	30,582	66,842	17,787,379	17,884,803	53,402,819

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Notes:

- (i) Other revaluation reserve comprises of fair value adjustments on acquisition of subsidiaries relating to interests previously held by the Company and its subsidiaries (collectively referred to as the "Group") as associates/joint ventures and fair value adjustments arising upon the transfer of property, plant and equipment to investment properties in prior years.
- (ii) The Group accounts for acquisitions of associates, joint ventures or investee companies from its ultimate parent, Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), as equity transactions and any difference between the consideration paid and the fair value of the interest acquired is recorded in other reserve. In addition, the Group accounts for changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recorded in other reserve.
- (iii) Merger reserve represents the difference in the fair value of the consideration paid to SIIC for the acquisition of subsidiaries/businesses controlled by SIIC and the share capital of the acquired subsidiaries.
- (iv) The statutory reserves are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to the Group's PRC subsidiaries, joint ventures and associates.
- (v) In July 2012, SIIC Environment Holdings Ltd. ("SI Environment"), a listed subsidiary of the Group, completed the acquisition of an indirect 69.378% equity interest in Nanfang Water Co., Ltd. ("Nanfang Water") which, together with its subsidiaries and an associate, are principally engaged in the business of environment protection in the PRC, including waste water and tap water treatments. The consideration for the acquisition is HK\$423,719,000 which includes (a) cash of RMB218.3 million (equivalent to approximately HK\$266.0 million), (b) 433,626,615 ordinary shares in SI Environment, the fair value of which at the date of acquisition amounted to HK\$127,829,000, and (c) HK\$29,865,000, representing the fair value of the earn-out amounts for each of the three years ended 31 December 2014 if Nanfang Water achieves the agreed financial targets for the corresponding year. The maximum earn-out amount to be paid amounts to RMB45 million (equivalent to approximately HK\$55 million) and would be settled by way of issuance of a fixed number of new ordinary shares in SI Environment.

The Group recognised the fair value of the share consideration and the earn-out amount in equity attributable to non-controlling interests as at 31 December 2012. In February 2013, the share consideration was settled and the Group accounted for the issue of deferred consideration shares as an equity transaction and as a deemed disposal of SI Environment.

- (vi) In October 2013, SI Environment entered into subscription agreements with its controlling shareholder (i.e. the Group) and certain institutional investors in relation to its placement of 3,100,000,000 new ordinary shares, representing approximately 36% of the enlarged capital of SI Environment, at the placement price of S\$0.085. Out of which, 1,250,000,000 shares were subscribed by the Group for a cash consideration of S\$106,250,000 (equivalent to HK\$651,538,000) and the Group's shareholding in SI Environment was diluted from 54.63% to 46.72% upon completion of the shares placement in December 2013.

In July 2014, SI Environment entered into a placing agreement with two placement agents, who are independent third parties of the Group, in relation to its placement of 1,000,000,000 new ordinary shares, representing approximately 10.43% of the enlarged capital of SI Environment, at the placement price of S\$0.158 per share. The Group's shareholding in SI Environment was diluted from 46.72% to 41.85% upon the completion of the placement.

The Group accounted for the above two shares placements as equity transactions and the difference between the consideration received and the change of the Group's interest in SI Environment's net assets amounting to approximately HK\$214 million (2013: HK\$28 million) is credited to other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	6,758,899	4,833,753
Adjustments for:		
Amortisation of other intangible assets	82,581	57,284
Amortisation of toll road operating rights	746,569	721,631
Depreciation of property, plant and equipment	330,320	273,083
Dividend income from equity investments	(6,109)	(6,951)
Equity-settled share-based payments	164	5,904
Finance costs	1,359,195	1,199,557
Fair value gain on revaluation of an available-for-sale investment upon reclassification as an associate	(67,171)	-
Gain on bargain purchase	(5,575)	-
Gain on disposal of assets through disposal of subsidiaries	-	(819,125)
Gain on disposal of available-for-sale investments	(2,633)	(14,517)
Gain on disposal of Feng Qi Group	(1,716,165)	-
Net gain on disposal/deemed partial disposal of interests in subsidiaries, joint ventures and associates	(302,311)	(215,116)
Impairment loss on available-for-sale investments	342,427	15,852
Impairment loss on bad and doubtful debts	13,375	17,530
Impairment loss on inventories, other than properties	2,087	5,001
Impairment loss on properties held for sale	160,144	36,374
(Increase) decrease in fair value of investment properties	(2,920)	99,240
Interest income	(702,957)	(584,555)
Net gain on disposal/written off of property, plant and equipment	(730)	(2,826)
Provision for major overhauls	6,769	-
Release of prepaid lease payments	5,911	3,934
Reversal of impairment loss on bad and doubtful debts	(4,188)	-
Reversal of impairment loss on other receivables	(11,271)	-
Reversal of provision for compensation to customers as a result of late delivery of properties	(24,685)	-
Share of results of associates	(33,946)	(22,788)
Share of results of joint ventures	(165,508)	(79,730)
Operating cash flows before movements in working capital	6,762,272	5,523,535
(Increase) decrease in inventories	(2,383,212)	859,915
Decrease (increase) in financial assets at fair value through profit or loss	48,942	(126,963)
Decrease in trade and other receivables	49,223	597,136
Increase in receivables under service concession arrangements	(689)	(268,298)
Net movement in amounts due from (to) customers for contract work	15,260	(43,003)
(Decrease) increase in trade and other payables	(2,191,186)	3,344,647
Decrease in customer deposits from sales of properties	(5,815,513)	(1,327,112)
Decrease in provision for major overhauls	(4,382)	(4,048)
Cash (used in) generated from operations	(3,519,285)	8,555,809
PRC Enterprise Income Tax ("EIT") paid	(1,195,232)	(1,333,051)
PRC Land Appreciation Tax ("LAT") paid	(696,468)	(849,566)
Hong Kong Profits Tax paid	(140,476)	(184,405)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(5,551,461)	6,188,787

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
INVESTING ACTIVITIES			
Acquisition of subsidiaries/businesses	43	(4,233,017)	–
Acquisition of a joint venture		(666,068)	–
Acquisition of an associate		(540,938)	(15,365)
Entrusted fund placed with a joint venture		(503,081)	(500,000)
Purchase of property, plant and equipment		(254,583)	(289,182)
Advance to joint ventures		(249,938)	(384,123)
Purchase of available-for-sale investments		(195,458)	(345,260)
Purchase of operating concessions		(212,083)	–
Increase in deposits paid on acquisition of property, plant and equipment		(115,253)	(14,905)
Increase in restricted/pledged/short-term bank deposits		(63,786)	(402,567)
Additions to toll road operating rights		(28,030)	(58,026)
Purchase of and subsequent expenditures on investment properties		(4,413)	(141,019)
Acquisition of a subsidiary from SIIC		(1,105)	–
Disposal of assets classified as held for sale (net of cash and cash equivalents disposed of)	34	1,959,846	237,294
Settlement of consideration receivables		1,419,628	936,318
Interest received		706,288	584,275
Proceeds from government grant		62,462	–
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	45(III)	512,392	93,564
Withdrawal of entrusted fund placed with a joint venture		503,081	505,050
Proceeds from disposal of investment properties	16	125,854	215,915
Dividends received from joint ventures		53,516	18,923
Dividends received from associates		21,812	19,444
Proceeds from disposal of operating concessions		16,757	126,151
Proceeds from disposal of property, plant and equipment		14,488	104,435
Decrease (increase) in prepaid lease payments		11,825	(970)
Proceeds from disposal of available-for-sale investments		7,770	220,478
Dividends received from equity investments		6,109	6,951
Proceeds from disposal of interests in associates		4,423	–
Capital injection to a joint venture		–	(345,774)
Acquisition of assets and liabilities through acquisition of a subsidiary	44	–	(335,982)
Deposit paid on acquisition of a subsidiary		–	(156,399)
Disposal of assets through disposal of subsidiaries	45(IV)	–	726,750
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(1,641,502)	805,976

	Notes	2014 HK\$'000	2013 HK\$'000
FINANCING ACTIVITIES			
Bank and other borrowings raised		23,577,745	8,958,346
Advances from related parties		2,901,367	–
Advances from (repayment to) fellow subsidiaries	35	1,349,516	(33,958)
Proceeds from shares placements by a listed subsidiary, net of direct transaction costs		958,041	964,276
Capital contributions by non-controlling interests		293,296	81,915
Proceeds from issue of shares upon exercise of share options		215	56,813
Repayment of bank and other borrowings		(14,683,906)	(11,160,093)
Repayment for redemption of senior notes		(2,067,833)	–
Acquisition of additional interests in subsidiaries		(1,762,822)	(401,921)
Repayment to related parties		(1,634,900)	–
Interest paid		(1,274,167)	(1,232,399)
Dividends paid		(974,486)	(1,081,027)
Dividends paid to non-controlling interests		(119,059)	(130,286)
Return of capital to non-controlling interests upon capital reduction of a subsidiary		(16,990)	(196,959)
Proceeds from issue of convertible bonds	38	–	3,900,000
Transaction costs of issuing convertible bonds	38	–	(44,420)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		6,546,017	(319,713)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(646,946)	6,675,050
CASH AND CASH EQUIVALENTS AT 1 JANUARY		26,159,050	19,248,483
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(392,296)	235,517
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		25,119,808	26,159,050
Represented by:			
Bank balances and cash		25,119,702	25,975,351
Bank balances and cash classified as assets held for sale		106	183,699
		25,119,808	26,159,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate parent is SIIC, a private limited company also incorporated in Hong Kong. The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries, joint ventures and associates are set out in Notes 54, 55 and 56, respectively.

The consolidated financial statements are presented in Hong Kong dollar, which is also the functional currency of the Company.

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

The Group has applied the following amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

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

The application of the amendments to HKFRSs and the new interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

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

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions, with earlier application permitted.

3. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (Continued)

HKFRS 9 “Financial Instruments”

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are more relevant to the Group are described below:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value 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.

Based on an analysis of the Group’s financial assets as at 31 December 2014, the adoption of HKFRS 9 in the future may have an impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. It is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

HKFRS 15 “Revenue from Contracts with Customers”

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard 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
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (Continued)

HKFRS 15 “Revenue from Contracts with Customers” (Continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with 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 (the “Listing Rules”) and by transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622).

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to retained profits as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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, except that:

- deferred tax assets or liabilities, and assets or liabilities 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 arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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

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

Merger accounting for business combination involving entities under common control

Business combination involving entities under common control relates to acquisitions of subsidiaries/businesses controlled by SIIC.

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of previous reporting period or when they first came under common control, whichever is shorter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate or a joint venture is described below.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Non-current assets held for sale

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale (Continued)

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint control over the joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with HKAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

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

Service concession arrangements

Consideration given by the grantor

A financial asset (receivable under service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for "Financial instruments" below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets" below.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

Operating services

Revenue and costs relating to operating services are accounted for in accordance with the policy for "Revenue recognition" below.

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence, that is (a) to maintain the sewage and water treatment plants it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sewage and water treatment plants are recognised and measured in accordance with the policy set out for "Provisions" below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts

When the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement 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, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. 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 contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable 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 amounts 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 amounts 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 trade and other receivables.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods (including water supplied under service concession arrangements) is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 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.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Service income including that from operating service provided under service concession arrangements and hotel operation is recognised when services are provided.

Income from construction contracts is recognised as set out in the accounting policy for "Construction contracts" above.

Toll fee income from the operation of toll roads, net of business tax payable in the PRC, is recognised at the time of usage.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Subsequent expenditures (including refurbishment and decoration) incurred for investment properties are capitalised as part of the carrying amount of the investment properties.

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 the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Transfer from investment properties to property, plant and equipment

The Group transfers a property from investment properties carried at fair value to property, plant and equipment when there is a change of intended use from held to earn rentals and/or for capital appreciation to owner occupied purpose, which is evidenced by the commencement of owner-occupation. The property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

Property, plant and equipment

Property, plant and equipment including hotel property and leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes (i.e. construction in progress) are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

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 profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront 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 amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting 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 dollar) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and 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.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses.

Research expenditure

Expenditure on research is recognised as an expense in the period in which it is incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Toll road operating rights

Toll road operating rights are stated at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is provided to write off the costs of toll road operating rights on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the periods for which the Group is granted the rights to operate the toll roads.

Operating concessions

Operating concessions represent the rights to operate sewage and water treatment plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 20 to 50 years.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Properties under development held for sale and properties held for sale

Properties under development held for sale and properties held for sale are stated at the lower of cost and net realisable value on an individual basis. Cost comprises the acquisition cost and other direct costs attributable to such properties.

Others

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Transfer from inventories to investment properties carried at fair value

The Group transfers a property from inventories to investment properties when there is a change of use of the property to hold the property to earn rentals and/or for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Transfer from inventories to leasehold land and buildings carried at cost

The Group transfers a property from inventories to leasehold land and buildings at cost when there is a change of use of the property from sale to owner occupied purpose, which is evidenced by the commencement of owner-occupation.

Financial instruments

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), 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 regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net investment income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in net investment income line item. Fair value is determined in the manner described in Note 25.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including receivables under service concession arrangements, restricted bank deposits, trade and other receivables, amounts due from subsidiaries, loan to a joint venture, pledged bank deposits, short-term bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy on impairment of financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets (Continued)

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 assets have been affected.

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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 past the average credit period of 30 to 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

The Group's financial liabilities, including trade and other payables, amounts due to subsidiaries, bank and other borrowings, liability component of convertible bonds and senior notes, are subsequently measured at amortised cost, using the effective interest method.

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.

Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible bonds containing liability and equity components

The component parts of the convertible bonds issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debts. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity (convertible bonds equity reserve), net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured 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, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation (if appropriate) recognised in accordance with HKAS 18 "Revenue".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based transactions are set out in Note 41.

For grant of share options that are conditional upon satisfying specified vesting conditions, the fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For grant of share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

In case of share options granted by a subsidiary, the share options reserve of the subsidiary is classified as and grouped under non-controlling interests by the Group on consolidation. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium of that subsidiary. The Group will account for the dilution as an equity transaction in accordance with HKAS 27 if the exercise of share options does not constitute a loss of the Group's control over that subsidiary. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits of the Group and non-controlling interests' share of net assets of that subsidiary according to the proportion of interests held by the Group and non-controlling shareholders on consolidation.

Share-based payment transactions of the acquiree in a business combination

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of those share options. The balance is recognised as remuneration cost for post-combination service.

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 underlying 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 on-going 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that certain of 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, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted for such properties. For the properties on which the 'sale' presumption is not rebutted, the Group has further recognised deferred taxes on changes in fair value of investment properties in relation to PRC Land Appreciation Tax ("LAT"), which is the additional tax to be charged if a property in the PRC is recovered through sale.

Control over SI Environment

Note 54 describes that SI Environment is a subsidiary of the Group although the Group has only 41.85% ownership interest and voting rights in SI Environment. SI Environment is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Upon completion of the placement of new ordinary shares by SI Environment in July 2014, the Group's shareholding in SI Environment was diluted from 46.72% to 41.85%. Details of SI Environment are set out in Note 54.

The directors of the Company assessed whether or not the Group has control over SI Environment based on whether the Group has the practical ability to direct the relevant activities of SI Environment unilaterally. After assessment, the directors of the Company concluded that the Group has the current ability to direct the relevant activities of SI Environment and affect the amount of the Group's return. Therefore, the Group has control over SI Environment.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2014 at their fair value, details of which are disclosed in Note 16. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent firm of property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavorable changes to these assumptions may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and the carrying amount of these properties included in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Key sources of estimation uncertainty (Continued)

Amortisation of toll road operating rights

Toll road operating rights amounting to approximately HK\$12,633 million as at 31 December 2014 (2013: HK\$13,675 million) are amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the operating period of the toll roads. If the actual traffic volume differs from the original projection, such difference will impact the amount of amortisation for the remaining operating period of the toll roads. There were no significant changes in the traffic volume estimates in the current year.

Allowance for properties under development and properties held for sale

Management regularly reviews the recoverability of the Group's properties under development and properties held for sale with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceed their recoverable amounts. Appropriate allowance for properties under development and properties held for sale is made if the estimated recoverable amount is lower than its carrying amount. As at 31 December 2014, the aggregate carrying amount of properties under development and properties held for sale was approximately HK\$45,496 million (2013: HK\$46,405 million).

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated cost of each phase as a percentage of the total estimated costs of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation are different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowing costs and all property development expenditures.

The Group is subject to LAT in the PRC which has been included in income tax expense of the Group. However, the Group has not finalised its LAT returns with the tax authorities for certain of its property development projects. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and deferred income tax provisions in the period in which such determination is made. As at 31 December 2014, the carrying amount of LAT provision (included in taxation payable) was approximately HK\$1,547 million (2013: HK\$1,291 million).

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

Key sources of estimation uncertainty (Continued)

Estimated impairment of trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, debtor credit-worthiness, and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the aggregate carrying amount of trade and other receivables was approximately HK\$4,940 million (2013: HK\$6,199 million).

Estimation of contract revenue and costs

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 when 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.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Management of the Group is responsible for determination of the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model on a regular basis, or when needs arise, and will report the significant results and findings to the board of directors of the Company. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 16 and 59(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. REVENUE

Revenue represents the aggregate of the net amounts received or receivable from third parties. An analysis of the Group's revenue for the year is as follows:

	2014 HK\$'000	2013 HK\$'000
Sales of properties	11,388,924	13,676,867
Sales of goods	3,958,382	3,643,282
Income from infrastructure facilities	3,680,795	3,550,386
Rental income	841,014	612,547
Income from hotel operation	97,951	84,642
	19,967,066	21,567,724

7. NET INVESTMENT INCOME

	2014 HK\$'000	2013 HK\$'000
Interest on bank deposits	474,318	327,746
Interest on available-for-sale investments	22,735	2,715
Interest on financial assets designated as at FVTPL	–	17,712
Other interest income	205,904	236,382
Total interest income	702,957	584,555
Change in fair value of financial assets classified as held for trading	36,923	36,989
Change in fair value of financial assets designated as at FVTPL	(18,830)	15,613
Dividend income from equity investments	6,109	6,951
Fair value gain on revaluation of an available-for-sale investment upon reclassification as an associate (Note)	67,171	–
Gain on disposal of available-for-sale investments	2,633	14,517
Rental income from property, plant and equipment	7,673	1,864
	804,636	660,489

Note: In June 2014, SI Environment acquired from certain independent third parties for an aggregate of 25.3125% additional equity interest in 龍江環保集團股份有限公司("Longjiang Environmental Protection"), which was previously classified as an available-for-sale investment being measured at cost in which the Group held an equity interest of 16.8%, at a total cash consideration of RMB405 million (equivalent to approximately HK\$510 million). Upon completion of the transaction, Longjiang Environmental Protection became an associate of the Group. The Group revalued its 16.8% equity interest and recognised the revaluation gain upon reclassification as an associate. Longjiang Environmental Protection and its subsidiaries are principally engaged in the business of development and operation of environmental protection related projects and construction of water supply network.

7. NET INVESTMENT INCOME (Continued)

Net investment income earned from financial assets, analysed by category of asset, is as follows:

	2014 HK\$'000	2013 HK\$'000
Financial assets at FVTPL	23,759	76,815
Loans and receivables (including bank balances and cash)	680,222	564,128
Available-for-sale financial assets	92,982	17,682
	796,963	658,625
Investment income earned on non-financial assets	7,673	1,864
	804,636	660,489

Included above is income from listed investments of HK\$45,222,000 (2013: HK\$57,862,000) and from unlisted investments of HK\$71,520,000 (2013: HK\$36,635,000).

8. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on bank and other borrowings		
– wholly repayable within five years	1,671,795	1,478,664
– not wholly repayable within five years	137,050	98,513
Interest on convertible bonds (Note 38)	84,006	72,241
Interest on senior notes	120,855	192,415
	2,013,706	1,841,833
Less: amounts capitalised in properties under development held for sale	(654,511)	(642,276)
	1,359,195	1,199,557

Borrowing costs capitalised during the year arose on the general borrowings pool and are calculated by applying capitalisation rates ranging from 6.0% to 8.2% (2013: 6.4% to 9.1%) per annum to expenditure on qualifying assets.

9. NET GAIN ON DISPOSAL/DEEMED PARTIAL DISPOSAL OF INTERESTS IN OTHER SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	2014 HK\$'000	2013 HK\$'000
Net gain on disposal of interests in subsidiaries (Note 45(III))	282,133	109,953
Gain on deemed partial disposal of interest in a joint venture	15,755	–
Gain on disposal of interest in an associate	4,423	–
Gain on disposal of interest in an associate classified as held for sale	–	103,340
Gain on deregistration of a subsidiary	–	1,823
	302,311	215,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

10. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

	2014 HK\$'000	2013 HK\$'000
Impairment loss on		
– listed equity investments	23,775	15,852
– unlisted equity investments	318,652	–
	342,427	15,852

11. INCOME TAX EXPENSE

	2014 HK\$'000	2013 HK\$'000
Current tax		
– Hong Kong	202,242	158,308
– PRC LAT	1,000,868	648,661
– PRC EIT (including PRC withholding tax of HK\$24,386,000 (2013: HK\$135,786,000))	1,526,756	838,243
	2,729,866	1,645,212
Under(over) provision in prior years		
– Hong Kong	236	(267)
– PRC LAT (Note)	(131,290)	16,335
– PRC EIT	(1,818)	(9,231)
	(132,872)	6,837
Deferred taxation for the year (Note 29)	(130,092)	(262,516)
	2,466,902	1,389,533

Note: The Group recognised an overprovision (2013: underprovision) of PRC LAT during the year ended 31 December 2014 upon completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

11. INCOME TAX EXPENSE (Continued)

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

	2014 HK\$'000	2013 HK\$'000
Profit before taxation	6,758,899	4,833,753
Tax at PRC statutory tax rate of 25%	1,689,725	1,208,438
Tax effect of share of results of joint ventures and associates	(49,864)	(25,630)
Tax effect of expenses not deductible for tax purpose	355,432	121,655
Tax effect of income not taxable for tax purpose	(43,006)	(84,320)
Overprovision of Hong Kong Profits Tax and PRC EIT in prior years	(1,582)	(9,498)
Tax effect of tax losses not recognised as deferred tax assets	113,357	132,624
Utilisation of tax losses previously not recognised as deferred tax assets	(67,567)	(17,334)
Effect of PRC subsidiaries subject to a lower tax rate	(12,596)	(41,870)
Effect of different tax rates of subsidiaries	(254,993)	(309,308)
Provision of PRC LAT for the year	936,996	436,262
(Over)underprovision of PRC LAT in prior years	(131,290)	16,335
Tax effect of PRC LAT deductible for PRC EIT	(201,427)	(113,149)
Tax charge on dividend withholding tax	118,469	81,285
Others	15,248	(5,957)
Income tax expense for the year	2,466,902	1,389,533

Notes:

- (i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.
- (ii) The Group's subsidiaries in the PRC are subject to PRC EIT at a rate of 25% for both years, except for a PRC subsidiary which is qualified as High New Technology Enterprises and enjoys a preferential tax rate of 15% for the year ended 31 December 2014. The preferential tax rate is applicable for three years until 2016 and subject to approval for renewal. During the year ended 31 December 2013, another PRC subsidiary was also taxed at a lower rate of 12.5% (2014: 25%) on a transitional basis.
- (iii) PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs and all qualified property development expenditures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. PROFIT FOR THE YEAR

	2014 HK\$'000	2013 HK\$'000
Profit for the year has been arrived at after charging:		
Employee benefits expense, including directors' emoluments:		
Basic salaries, allowances and bonus	915,289	865,739
Equity-settled share-based payments	164	5,178
Retirement benefits scheme contributions	77,503	66,637
	992,956	937,554
Amortisation of toll road operating rights (included in cost of sales)	746,569	721,631
Amortisation of other intangible assets (included in cost of sales)	82,581	57,284
Depreciation of property, plant and equipment	330,320	273,083
Release of prepaid lease payments	5,911	3,934
Total depreciation and amortisation	1,165,381	1,055,932
Auditors' remuneration	15,229	15,878
Cost of inventories recognised as an expense		
– properties	7,940,610	11,167,936
– inventories other than properties	2,091,535	1,904,868
Compensation to customers as a result of late delivery of properties	–	79,704
Decrease in fair value of investment properties (included in administrative and other expenses)	–	99,240
Equity-settled share-based payments in respect of options granted to eligible participants other than employees	–	726
Impairment loss on bad and doubtful debts	13,375	17,530
Impairment loss on properties held for sale	160,144	36,374
Impairment loss on inventories, other than properties	2,087	5,001
Net foreign exchange loss (included in other income, gains and losses)	262,850	–
Operating lease rentals in respect of land and buildings to		
– fellow subsidiaries	10,784	12,104
– others	33,759	29,731
Provision for major overhauls (included in cost of sales)	6,769	–
Research expenditure	2,659	17,117
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	40,703	26,625
Share of PRC EIT of associates (included in share of results of associates)	9,862	10,485
and after crediting other income, gains and losses as follows:		
Increase in fair value of investment properties	2,920	–
Net foreign exchange gain	–	127,100
Net gain on disposal/written off of property, plant and equipment	730	2,826
Reversal of provision for compensation to customers as a result of late delivery of properties	24,685	–
Reversal of impairment loss on bad and doubtful debts	4,188	–
Reversal of impairment loss on other receivables	11,271	–

13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the eleven (2013: eleven) former and existing directors of the Company were as follows:

	Wang		Lu		Xu Bo	Ni		Teng Yi	Lo	Woo	Leung	Cheng	Total
	Wei	Zhou Jie	Shen	Zhou Jun		Jian Da	Qian Yi	Long	Ka Shui	Chia-Wei	Pak To,	Chuen,	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note i)					(Note ii)	(Note iii)	(Note iv)					
Year ended 31 December 2014													
Executive directors:													
Directors' fee and committee remuneration	-	-	-	-	-	199	-	-	-	-	-	-	199
Basic salaries and allowances	3,258	2,364	1,940	1,886	1,886	-	264	-	-	-	-	-	11,598
Bonuses	2,100	1,995	945	840	840	-	117	-	-	-	-	-	6,837
Equity-settled share-based payments	-	-	-	-	86	-	-	-	-	-	-	-	86
Retirement benefits scheme contributions	72	62	58	58	53	-	8	-	-	-	-	-	311
Independent non-executive directors:													
Directors' fees and committee remuneration	-	-	-	-	-	-	-	-	341	421	421	430	1,613
Equity-settled share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Total directors' emoluments	5,430	4,421	2,943	2,784	2,865	199	389	-	341	421	421	430	20,644
Year ended 31 December 2013													
Executive directors:													
Directors' fee and committee remuneration	-	-	-	-	-	-	-	-	-	-	-	-	-
Basic salaries and allowances	1,568	2,364	1,940	1,886	1,886	-	1,886	1,575	-	-	-	-	13,105
Bonuses	1,010	1,995	945	840	840	-	840	1,015	-	-	-	-	7,485
Equity-settled share-based payments	-	172	152	152	366	-	152	156	-	-	-	-	1,150
Retirement benefits scheme contributions	35	60	55	55	51	-	50	27	-	-	-	-	333
Independent non-executive directors:													
Directors' fees and committee remuneration	-	-	-	-	-	-	-	-	362	421	421	430	1,634
Equity-settled share-based payments	-	-	-	-	-	-	-	-	24	24	24	-	72
Total directors' emoluments	2,613	4,591	3,092	2,933	3,143	-	2,928	2,773	386	445	445	430	23,779

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

Notes:

- (i) Mr. Wang Wei was appointed as a director of the Company on 25 June 2013.
- (ii) Mr. Ni Jian Da was appointed as a director of the Company on 20 February 2014 and subsequently resigned on 2 February 2015.
- (iii) Mr. Qian Yi resigned as a director of the Company on 20 February 2014.
- (iv) Mr. Teng Yi Long retired as a director of the Company on 25 June 2013.
- (v) Mr. Wang Wei, Mr. Zhou Jie, Mr. Lu Shen, Mr. Zhou Jun, Mr. Xu Bo, Mr. Ni Jian Da and Mr. Qian Yi, who are the executive directors of the Company, are also the chief executives of the Company. Their emoluments including those for services rendered by them as the chief executives are also included in the above directors' emoluments tables for presentation.
- (vi) Bonuses were determined with reference to the Group's operating results, individual performance and comparable market statistics.
- (vii) In the two years ended 31 December 2014, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during the two years.
- (viii) The five highest paid individuals of the Group for both years were all directors of the Company and details of their emoluments are set out above.

14. DIVIDENDS

	2014 HK\$'000	2013 HK\$'000
Dividends recognised as distribution during the year:		
2014 interim dividend of HK45 cents (2013: 2013 interim dividend of HK42 cents) per share	487,243	454,111
2013 final dividend of HK45 cents (2013: 2012 final dividend of HK58 cents) per share	487,243	626,916
	974,486	1,081,027

The final dividend of HK45 cents per share in respect of the year ended 31 December 2014 (2013: final dividend of HK45 cents per share in respect of the year ended 31 December 2013), amounting to approximately HK\$487.2 million (2013: HK\$487.2 million) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

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

	2014 HK\$'000	2013 HK\$'000
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	3,069,003	2,702,418
Effect of dilutive potential ordinary shares – interest on convertible bonds, net of tax	70,145	60,321
Earnings for the purpose of diluted earnings per share	3,139,148	2,762,739

15. EARNINGS PER SHARE (Continued)

	2014	2013
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,082,760,696	1,081,075,132
Effect of dilutive potential ordinary shares		
– convertible bonds	107,319,758	80,857,352
– share options of the Company	1,555,728	1,972,285
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,191,636,182	1,163,904,769

The computation of diluted earnings per share does not assume:

- (i) the exercise of the Company's outstanding options if the exercise price of those options was higher than the average market price for the corresponding period; and
- (ii) the exercise of options issued by Shanghai Industrial Urban Development Group Limited ("SI Urban Development"), a listed subsidiary of the Group, because the exercise price of those options was higher than the average market price for the corresponding period.

16. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 January 2013	9,471,090
Exchange adjustments	274,068
Subsequent expenditures	6,102
Transfer to assets classified as held for sale (Note 34(IV))	(132,458)
Additions	134,917
Additions through acquisition of a subsidiary (Note 44)	340,898
Disposals (Note vi)	(215,915)
Decrease in fair value recognised in profit or loss	(99,240)
At 31 December 2013	9,779,462
Exchange adjustments	(308,280)
Subsequent expenditures	1,343
Transfer from inventories (Note iii)	384,333
Additions	3,070
Additions through acquisition of Continental Land (as defined in Note 43(I))	6,583,206
Transfer to property, plant and equipment (Note iv)	(341,000)
Disposals (Note vi)	(125,854)
Increase in fair value recognised in profit or loss	2,920
At 31 December 2014	15,979,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

16. INVESTMENT PROPERTIES (Continued)

Notes:

	2014 HK\$'000	2013 HK\$'000
(i) Unrealised loss on property revaluation included in profit or loss for the year (included in administrative and other expenses)	(46,898)	(101,825)

(ii) The Group's investment properties can be categorised as follows:

	2014 HK\$'000	2013 HK\$'000
Medium-term land use rights in the PRC	15,979,200	9,438,462
Medium-term leases in Hong Kong	-	341,000
	15,979,200	9,779,462

(iii) During the year ended 31 December 2014, properties held for sale included in inventories with a carrying amount of HK\$384,333,000 (2013: Nil) were transferred to investment properties as the management had changed the use of the properties, evidenced by entering into various operating leases with tenants. The properties were fair-valued by DTZ Debenham Tie Leung Limited ("DTZ") at the date of transfer by reference to net rental income allowing for reversionary income potential.

(iv) During the year ended 31 December 2014, investment properties with a carrying amount of HK\$341,000,000 (2013: Nil) were transferred to property, plant and equipment as the management had changed the use of the properties to owner occupation purpose. The properties were fair-valued by Vigers Appraisal and Consulting Limited at the date of transfer on the basis of net rental income capitalisation and it was concluded that the carrying amount approximated its fair value at the date of transfer.

(v) The property rental income earned by the Group from its investment properties which are either held for rental income under operating leases and/or for capital appreciation purpose, amounted to HK\$841,014,000 (2013: HK\$612,547,000) with negligible direct operating expenses.

(vi) During the year ended 31 December 2014, the Group disposed of certain investment properties for cash proceeds of HK\$125,854,000 (2013: HK\$215,915,000).

(vii) The fair values of the Group's investment properties at 31 December 2014 and 31 December 2013 have been arrived at on the basis of valuations carried out on the respective dates by DTZ, except that investment properties as at 31 December 2013 with an aggregate fair value of approximately HK\$341 million were only fair-valued by DTZ at the acquisition date (see Note 44) and the directors of the Company consider that the fair value at the acquisition date approximated that as at 31 December 2013. DTZ is a member of the Institute of Valuers and a firm of independent qualified professional valuers not connected to the Group. DTZ possesses appropriate qualifications and experience in the valuation of properties in the relevant locations. All of the Group's investment properties were valued by DTZ with reference to market evidence of transaction prices for similar properties in similar locations and conditions or on the basis of income approach or investment approach, where appropriate. In arriving at the valuation on the basis of income approach or investment approach, the fair value is determined by capitalising the net rental income derived from the existing tenancies with due provision or allowance for the reversionary potential of the properties. There has been no change from the valuation technique used in the prior year.

(viii) In estimating the fair value of the properties, the highest and best use of the properties is their current use.

16. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(ix) Following are the key inputs used in valuing the investment properties as at 31 December 2014 and 2013:

Category	Fair value hierarchy	Fair value		Valuation techniques	Significant unobservable inputs	Range or weighted average		Sensitivity
		2014 HK\$'000	2013 HK\$'000			2014	2013	
Office properties	Level 3	3,755,568	2,405,569	Investment approach	Reversionary yield (derived from existing contracts rent and monthly market rent)	6.0%-7.0%	6.0%-7.0%	The higher the reversionary yield, the lower the fair value.
		2,041,224	2,063,764	Income capitalisation	Reversionary yield (derived from monthly market rent)	5.0%-6.0%	5.0%-6.0%	The higher the reversionary yield, the lower the fair value.
Car parking spaces	Level 3	154,879	48,656	Investment approach	Reversionary yield (derived from monthly market rent)	5.5%	5.5%	The higher the reversionary yield, the lower the fair value.
		57,369	58,899	Comparison approach	Adjustment to transaction price (to reflect location, age and maintenance)	22.8%-30.4%	22.8%-30.4%	The larger the adjustment, the higher the fair value.
Residential properties	Level 3	23,744	24,328	Comparison approach	Adjustment to transaction price (to reflect direction and height)	10.0%-14.2%	10.0%-16.0%	The larger the adjustment, the higher the fair value.
Industrial properties	Level 3	N/A	341,000	Comparison approach	Adjustment to transaction price (to reflect location, size, age and maintenance)	N/A	0.6%	The larger the adjustment, the higher the fair value.
		154,887	158,387	Income capitalisation	Reversionary yield (derived from monthly market rent)	6.0%	6.0%	The higher the reversionary yield, the lower the fair value.
Commercial properties	Level 3	8,386,654	3,263,391	Investment approach	Reversionary yield (derived from existing contracts rent and monthly market rent)	4.0%-4.5%	4.5%-8.0%	The higher the reversionary yield, the lower the fair value.
		1,404,875	1,415,468	Income capitalisation	Reversionary yield (derived from monthly market rent)	5.0%	5.0%	The higher the reversionary yield, the lower the fair value.
		15,979,200	9,779,462					

There were no transfers into or out of Level 3 during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK\$'000	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1 January 2013	375,001	1,698,797	793,757	173,676	1,881,139	456,603	5,378,973
Exchange adjustments	22,127	35,950	23,309	5,141	56,492	9,031	152,050
Additions through acquisition of a subsidiary (Note 44)	-	-	42	-	-	-	42
Additions	4,737	16,165	3,964	22,713	215,457	26,146	289,182
Reclassified as held for sale (Note 34(III))	-	-	(740)	(578)	-	-	(1,318)
Transfers/reclassification (Note iii)	216,062	152,378	25,167	2,464	66,648	(328,443)	134,276
Disposals/written off	(119)	(69,288)	(27,931)	(26,186)	(127,436)	-	(250,960)
Disposal of a subsidiary (Note 45(III))	-	-	(1,089)	(1,452)	-	-	(2,541)
At 31 December 2013	617,808	1,834,002	816,479	175,778	2,092,300	163,337	5,699,704
Exchange adjustments	(30,086)	(32,557)	(7,560)	(5,327)	(9,154)	(2,879)	(87,563)
Acquisition of Continental Land (Note 43(I))	-	-	2,536	848	-	-	3,384
Acquisition of other subsidiaries (Note 43(II))	-	-	5,660	710	-	9,105	15,475
Additions	553	8,672	43,217	26,832	162,851	63,707	305,832
Reclassified as held for sale (Note 34(I))	-	-	(169)	-	-	-	(169)
Transfers/reclassification (Note iii)	665,312	490,863	9,582	-	38,377	(58,785)	1,145,349
Disposals/written off	(103)	(941)	(6,534)	(16,977)	(122)	-	(24,677)
Disposal of subsidiaries (Note 45(III))	-	(70)	(235)	(367)	(14)	-	(686)
At 31 December 2014	1,253,484	2,299,969	862,976	181,497	2,284,238	174,485	7,056,649
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1 January 2013	80,100	293,155	354,677	101,250	1,087,744	-	1,916,926
Exchange adjustments	4,391	12,827	13,068	3,217	28,369	-	61,872
Provided for the year	36,648	69,039	39,171	23,297	104,928	-	273,083
Reclassified as held for sale (Note 34(III))	-	-	(428)	(309)	-	-	(737)
Eliminated on disposals/written off	(90)	(3,176)	(26,691)	(17,815)	(101,579)	-	(149,351)
Eliminated on disposal of a subsidiary (Note 45(III))	-	-	(568)	(1,078)	-	-	(1,646)
At 31 December 2013	121,049	371,845	379,229	108,562	1,119,462	-	2,100,147
Exchange adjustments	(4,979)	(5,789)	(3,540)	(2,768)	(3,389)	-	(20,465)
Provided for the year	50,975	69,785	51,977	20,031	137,552	-	330,320
Reclassified as held for sale (Note 34(I))	-	-	(38)	-	-	-	(38)
Eliminated on disposals/written off	(72)	(482)	(119)	(10,242)	(4)	-	(10,919)
Eliminated on disposal of subsidiaries (Note 45(III))	-	(29)	(90)	(193)	(8)	-	(320)
At 31 December 2014	166,973	435,330	427,419	115,390	1,253,613	-	2,398,725
CARRYING VALUES							
At 31 December 2014	1,086,511	1,864,639	435,557	66,107	1,030,625	174,485	4,657,924
At 31 December 2013	496,759	1,462,157	437,250	67,216	972,838	163,337	3,599,557

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE COMPANY				
COST				
At 1 January 2013	2,803	7,859	6,320	16,982
Additions	–	346	–	346
At 31 December 2013	2,803	8,205	6,320	17,328
Additions	–	175	–	175
Disposal	–	(526)	–	(526)
At 31 December 2014	2,803	7,854	6,320	16,977
DEPRECIATION				
At 1 January 2013	1,269	4,222	6,139	11,630
Provided for the year	112	1,276	181	1,569
At 31 December 2013	1,381	5,498	6,320	13,199
Provided for the year	112	1,277	–	1,389
Eliminated on disposal	–	(515)	–	(515)
At 31 December 2014	1,493	6,260	6,320	14,073
CARRYING VALUES				
At 31 December 2014	1,310	1,594	–	2,904
At 31 December 2013	1,422	2,707	–	4,129

Notes:

- (i) The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Hotel property	Over the period of the lease term
Leasehold land and buildings	The shorter of 4%-5% or over the period of the lease term
Furniture, fixtures and equipment	5%-33 $\frac{1}{3}$ % or over the period of the lease in case of fixtures in rented premises, if shorter
Motor vehicles	10%-30%
Plant and machinery	5%-20%

- (ii) The carrying values of property interests comprise properties erected on land held under:

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Medium-term land use rights in the PRC	2,231,480	1,562,280	1,310	1,422
Medium-term leases in Hong Kong	719,670	396,636	–	–
	2,951,150	1,958,916	1,310	1,422

- (iii) During the year ended 31 December 2014, the Group transferred properties held for sale included in inventories of HK\$665,312,000 to property, plant and equipment under hotel property category upon the change of use from selling the hotel properties to carrying out the hotel operation by the Group itself. This hotel commenced operation in June 2014. The Group also transferred investment properties of HK\$341,000,000 to property, plant and equipment under leasehold land and building category as detailed in Note 16(iv).

In addition, the Group transferred properties held for sale of HK\$139,037,000 (2013: HK\$134,276,000) from inventories to property, plant and equipment under leasehold land and building category upon the change of use of the property from sale to owner occupied purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

18. PREPAID LEASE PAYMENTS

	2014 HK\$'000	2013 HK\$'000
The Group's prepaid lease payments comprise medium-term land use rights in the PRC	289,391	140,854
Analysed for reporting purposes as:		
Current portion	6,143	3,490
Non-current portion	283,248	137,364
	289,391	140,854

Note: During the year ended 31 December 2014, the Group transferred properties held for sale included in inventories of HK\$170,732,000 (2013: Nil) to prepaid lease payments.

19. TOLL ROAD OPERATING RIGHTS

	HK\$'000
COST	
At 1 January 2013	16,407,857
Exchange adjustments	522,484
Additions	83,256
Government grant (Note 53)	(25,230)
At 31 December 2013	16,988,367
Exchange adjustments	(407,797)
Additions	28,030
At 31 December 2014	16,608,600
AMORTISATION	
At 1 January 2013	2,508,108
Exchange adjustments	83,880
Charged for the year	721,631
At 31 December 2013	3,313,619
Exchange adjustments	(84,734)
Charged for the year	746,569
At 31 December 2014	3,975,454
CARRYING VALUES	
At 31 December 2014	12,633,146
At 31 December 2013	13,674,748

19. TOLL ROAD OPERATING RIGHTS (Continued)

Notes:

- (i) The toll road operating rights represent:
- (a) the right to receive toll fees from vehicles using the Shanghai section of the Jing-Hu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 25 years ending in 2028;
 - (b) the right to receive toll fees from vehicles using the Shanghai section of the Hu-Kun Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 30 years ending in 2030; and
 - (c) the right to receive toll fees from vehicles using the Shanghai section of Hu-Yu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 20 years ending in 2027.
- (ii) The Group's rights to operate the toll roads are amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the period for which the Group is granted the rights to operate the toll roads.

20. OTHER INTANGIBLE ASSETS

	Operating concessions HK\$'000 (Note i)	Trademark HK\$'000 (Note ii)	Total HK\$'000
COST			
At 1 January 2013	1,221,386	63,433	1,284,819
Exchange adjustments	37,007	1,868	38,875
Additions	462,198	–	462,198
Government grant (Note 53)	(67,524)	–	(67,524)
Disposals	(195,232)	–	(195,232)
At 31 December 2013	1,457,835	65,301	1,523,136
Exchange adjustments	(37,344)	(1,567)	(38,911)
Acquisition of subsidiaries (Note 43(II))	563,066	–	563,066
Additions	212,083	–	212,083
Government grant (Note 53)	(62,462)	–	(62,462)
Disposals	(29,380)	–	(29,380)
Disposal of subsidiaries (Note 45(III))	(37,880)	–	(37,880)
At 31 December 2014	2,065,918	63,734	2,129,652
AMORTISATION AND IMPAIRMENT			
At 1 January 2013	86,891	–	86,891
Exchange adjustments	2,283	–	2,283
Charged for the year	57,284	–	57,284
Eliminated on disposals	(52,177)	–	(52,177)
At 31 December 2013	94,281	–	94,281
Exchange adjustments	(1,654)	–	(1,654)
Charged for the year	82,581	–	82,581
Eliminated on disposals	(6,375)	–	(6,375)
Eliminated on disposal of subsidiaries (Note 45(III))	(2,506)	–	(2,506)
At 31 December 2014	166,327	–	166,327
CARRYING VALUES			
At 31 December 2014	1,899,591	63,734	1,963,325
At 31 December 2013	1,363,554	65,301	1,428,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. OTHER INTANGIBLE ASSETS (Continued)

Notes:

- (i) Operating concessions represent the rights to operate sewage and water treatment plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on straight-line basis over the respective periods of the operating concessions granted to the Group of 20 to 50 years. Details of these operating concessions are set out in Note 26.
- (ii) The trademark has a legal life of 10 years from September 2011 to September 2021 and is renewable upon expiry. The directors of the Company are of the opinion that the Group will renew the trademark continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash inflow for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, trademark with indefinite useful life set out above has been allocated to the individual cash generating unit ("CGU"), comprising one subsidiary in the real estate segment. For the year ended 31 December 2014, management of the Group has determined that there is no impairment (2013: Nil) of the CGU containing trademark by reference to the recoverable amount of the CGU, which has been determined based on a value in use calculation.

21. INVESTMENTS IN SUBSIDIARIES

	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	556,477	556,477
Deemed contribution	185,214	185,214
	741,691	741,691

Note: Upon the issuance of the convertible bonds by a subsidiary of the Company (Note 38), the Company's obligation to deliver a fixed number of its ordinary shares when the bonds are converted is accounted for as deemed contribution to the subsidiary.

Details of the Company's principal subsidiaries are set out in Note 54.

22. INTERESTS IN JOINT VENTURES

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cost of unlisted investments in joint ventures	1,986,502	1,320,434	-	-
Share of post-acquisition profits and other comprehensive income, net of dividends received/declared	989,845	924,586	-	-
	2,976,347	2,245,020	-	-
Loan to a joint venture (Note i)	374,906	384,123	374,906	384,123
	3,351,253	2,629,143	374,906	384,123

22. INTERESTS IN JOINT VENTURES (Continued)

Notes:

- (i) As at 31 December 2014, loan to a joint venture was unsecured, carrying fixed interest at 6.3% (2013: 6.3%) per annum and fully repayable in 2017 (2013: 2017).
- (ii) Summarised financial information in respect of each of the Group's material interests in joint ventures, namely 上海星河數碼投資有限公司 ("Shanghai Galaxy") and 中環保水務投資有限公司 (General Water of China Co., Ltd.) ("General Water"), is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

	Shanghai Galaxy		General Water	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Current assets	1,018,270	360,722	2,031,149	1,878,115
Non-current assets*	4,634,880	3,056,822	7,215,015	7,152,054
Current liabilities	(874,062)	(471,484)	(3,430,345)	(3,579,387)
Non-current liabilities	(2,923,539)	(1,282,446)	(1,938,779)	(1,785,811)
Non-controlling interests	(144,913)	(85,342)	(1,134,760)	(1,092,737)
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	197,279	67,509	1,048,191	740,183
Current financial liabilities (excluding trade and other payables and provisions)	-	-	(1,034,741)	(1,061,460)
Non-current financial liabilities (excluding trade and other payables and provisions)	(2,668,520)	(1,282,446)	(1,718,032)	(1,579,055)

* The balances of Shanghai Galaxy mainly comprise property, plant and equipment and the balances of General Water mainly comprise operating concessions.

	Shanghai Galaxy		General Water	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	338,459	176,576	1,793,965	1,576,932
Profit for the year	140,606	86,673	159,395	119,926
Other comprehensive income (expense) for the year	6,728	42,882	(65,704)	73,008
Total comprehensive income for the year	147,334	129,555	93,691	192,934
Dividends received from joint ventures during the year	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(ii) (Continued)

	Shanghai Galaxy		General Water	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
The above profit for the year include the following:				
Depreciation and amortisation	47,797	6,126	277,977	271,335
Interest income	19,849	1,858	7,365	16,992
Interest expense	(101,324)	(39,103)	(167,712)	(158,287)
Income tax expense	(4,882)	(26,412)	(83,095)	(56,002)

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

	Shanghai Galaxy		General Water	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Equity attributable to owners of the joint venture	1,710,636	1,578,272	2,742,280	2,572,234
Proportion of the Group's ownership interest	50%	50%	45%	47.5%
Carrying amount of the Group's interest in the joint venture	855,318	789,136	1,234,026	1,221,811

Aggregate information of joint ventures that are not individually material:

	2014 HK\$'000	2013 HK\$'000
The Group's share of profit	66,356	13,984
The Group's share of other comprehensive (expense) income	(22,243)	1,274
The Group's share of total comprehensive income	44,113	15,258
Aggregate carrying amount of the Group's interests in these joint ventures	887,003	234,073

(iii) The Group has discontinued recognition of its share of (profit) loss of a joint venture. The amounts of unrecognised share of the joint venture, both for the year and cumulatively, are as follows:

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Unrecognised share of (profit) loss of a joint venture for the year	(34)	39
Accumulated unrecognised share of losses of a joint venture	5,714	5,748

(iv) Details of the Group's principal joint ventures at the end of the reporting period are set out in Note 55.

23. INTERESTS IN ASSOCIATES

	2014 HK\$'000	2013 HK\$'000
Cost of unlisted investments in associates	2,598,850	1,731,475
Share of post-acquisition profits and other comprehensive income, net of dividends received/declared	130,880	365,986
	2,729,730	2,097,461
Less: Impairment loss recognised	(41,000)	(50,418)
	2,688,730	2,047,043
Interest in an associate classified as held for sale (Note 34(II))	(52,534)	–
	2,636,196	2,047,043

Notes:

- (i) Included in the cost of investments is goodwill arising on their acquisition in prior years. Details of goodwill are set out below:

	HK\$'000
COST	
At 1 January 2013, 31 December 2013 and 31 December 2014	3,370
IMPAIRMENT	
At 1 January 2013, 31 December 2013 and 31 December 2014	–
CARRYING VALUES	
At 1 January 2013, 31 December 2013 and 31 December 2014	3,370

- (ii) Summarised financial information in respect of the Group's material associates namely 上海莘天置業有限公司 ("Shanghai Shentian") and Longjiang Environmental Protection is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

All associates are accounted for using the equity method in these consolidated financial statements.

	Shanghai Shentian		Longjiang Environmental Protection	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Current assets*	3,859,140	3,698,626	1,056,897	N/A
Non-current assets**	3,443	6,522	5,472,872	N/A
Current liabilities	(51,035)	(55,980)	(2,349,711)	N/A
Non-current liabilities	(249,938)	–	(2,173,438)	N/A

* The balances of Shanghai Shentian mainly comprise land costs relating to properties under development held for sale. The development plan was approved by the respective government departments in the PRC and the construction was commenced during the current year.

** The balances of Longjiang Environmental Protection mainly comprise operating concessions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

23. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(ii) (Continued)

	Shanghai Shentian		Longjiang Environmental Protection	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	-	-	305,109	N/A
Profit for the year	-	-	38,485	N/A
Other comprehensive (expense) income for the year	(87,557)	36,537	(14,095)	N/A
Total comprehensive (expense) income for the year	(87,557)	36,537	24,390	N/A
Dividends received from the associate during the year	-	-	-	N/A

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

	Shanghai Shentian		Longjiang Environmental Protection	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Equity attributable to owners of the associate	3,561,610	3,649,168	1,999,992	N/A
Proportion of the Group's ownership interest	35%	35%	42%	N/A
Carrying amount of the Group's interest in the associate	1,246,564	1,277,209	842,247	N/A

Aggregate information of associates that are not individually material:

	2014 HK\$'000	2013 HK\$'000
The Group's share of profit	17,739	22,788
The Group's share of other comprehensive (expense) income	(21,921)	25,028
The Group's share of total comprehensive income	4,182	47,816
Aggregate carrying amount of the Group's interests in these associates	588,385	820,252

(iii) Details of the Group's principal associates at the end of the reporting period are set out in Note 56.

24. AMOUNTS DUE FROM/TO SUBSIDIARIES

At the end of the reporting period, amounts due from subsidiaries were unsecured. Except for an amount of approximately HK\$1,250 million (2013: HK\$1,280 million and HK\$512 million) which carries fixed interest at 4.3% per annum (2013: 4.3% and 4.35% per annum) and is repayable in May 2017 (2013: May 2014 and September 2014), the other balances are non-interest bearing and repayable on demand.

At the end of the reporting period, amounts due to subsidiaries classified as current liabilities were unsecured. Except for an amount of HK\$4,250 million (2013: HK\$4,950 million) which carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a spread, ranging from 1.03% to 1.90% (2013: 1.03% to 2.00%) per annum and is repayable in 2015 (2013: 2014), the balances are non-interest bearing and repayable on demand.

As at 31 December 2014 and 2013, amount due to a subsidiary classified as non-current liabilities was unsecured, carrying fixed interest at 1% per annum and repayable in 2018.

25. INVESTMENTS

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Available-for-sale investments				
Listed equity securities in				
– Hong Kong	226,718	125,364	–	–
– elsewhere	8,798	24,490	–	–
Unlisted equity securities in				
– Hong Kong (Note ii)	5	5	–	–
– elsewhere (Note ii)	769,659	977,475	59,270	59,270
Unlisted trust funds (Notes ii and iii)	62,484	71,703	–	–
	1,067,664	1,199,037	59,270	59,270
Investments held-for-trading				
Listed equity securities in				
– Hong Kong	156,564	168,885	–	–
– elsewhere	3,294	2,074	–	–
	159,858	170,959	–	–
Financial assets designated as at FVTPL				
– Structured deposits (Note iv)	267,858	299,455	51,512	157,457
	1,495,380	1,669,451	110,782	216,727
Fair values of listed equity investments	395,374	320,813	–	–
Analysed for reporting purposes as:				
Current	490,200	542,117	51,512	157,457
Non-current	1,005,180	1,127,334	59,270	59,270
	1,495,380	1,669,451	110,782	216,727

Notes:

- (i) At the end of the reporting period, except for those unlisted equity investments and unlisted trust funds, of which the fair values cannot be measured reliably, all available-for-sale investments and financial assets at FVTPL are stated at their fair values, which are determined by reference either to (a) bid prices quoted in active markets, or (b) prices provided by the respective issuing banks or financial institutions using valuation techniques.
- (ii) The above investments in unlisted equity securities and trust funds are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.
- (iii) The trust funds invested in wide ranges of equity or debt investment products.
- (iv) Structured deposits carried interest at variable rates, ranging from 0% to 10.0% (2013: 0% to 8.8%) per annum. Notional amount of these structured deposits amounted to approximately HK\$250 million (2013: HK\$288 million). Interest rates of these structured deposits vary depending on the movement of foreign exchange rate of Renminbi against United States dollar at the respective maturity dates and those features constitute non-closely related embedded derivatives. Their fair values at the end of the reporting period are determined based quotes provided by the counterparty financial institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. SERVICE CONCESSION ARRANGEMENTS

(i) Nature of arrangements

The Group engages in the businesses of sewage treatment, water supply and waste incineration in the PRC and has entered into a number of service concession arrangements with certain governmental authorities or their agencies in the PRC on a Build-Operate-Transfer (“BOT”) or a Transfer-Operate-Transfer (“TOT”) basis in respect of its businesses. These service concession arrangements generally involve the Group as an operator to (i) construct sewage treatment, water supply and waste incineration plants for those arrangements on a BOT basis; (ii) pay a specific amount for those arrangements on a TOT basis; (iii) operate and maintain the sewage treatment, water supply and waste incineration plants at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 50 years (the “service concession periods”), and the Group will be paid by the users for its services over the relevant periods of the service concession arrangements at prices stipulated through pricing mechanism.

The Group is generally entitled to operate all the property, plant and equipment of the sewage treatment, water supply and waste incineration plants, however, the relevant governmental authorities as grantors control and regulate the scope of services, and retain the beneficial entitlement to any residual interest in the sewage treatment, water supply and waste incineration plants at the end of the service concession periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authorities or their agencies in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the sewage treatment, water supply and waste incineration plants to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes.

26. SERVICE CONCESSION ARRANGEMENTS (Continued)

(I) Nature of arrangements (Continued)

At 31 December 2014, the Group had fifty-seven (2013: thirty) service concession arrangements on sewage treatment, eight (2013: four) service concession arrangements on water treatment and distribution and one (2013: one) service concession arrangement on waste incineration. A summary of the major terms of the principal service concession arrangements is set out below:

Name of subsidiary as operator	Name of sewage and water treatment plant	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity tons/day	Service concession period
東莞市大朗水口興寶水務有限公司	東莞市大朗污水處理廠	Dongguan, Guangdong Province, the PRC	東莞大朗鎮人民政府	BOT (Financial assets)	100,000	25 years from 2009 to 2034
濰坊市自來水有限公司	濰坊市自來水	Weifang, Shandong Province, the PRC	濰坊市人民政府	BOT (Intangible assets)	320,000	25 years from 2007 to 2032
惠州市南方水務有限公司	惠州市梅湖水處理項目一期及二期	Huizhou, Guangdong Province, the PRC	惠州市環保局	BOT and TOT (Financial assets)	200,000	25 years from 2005 to 2030
上實環境水務股份有限公司	濰坊市污水處理廠	Weifang, Shandong Province, the PRC	濰坊市人民政府	TOT (Financial assets)	100,000	20 years from 2004 to 2024
上實環境(德州)污水處理有限公司	德州市污水處理廠	Dezhou, Shandong Province, the PRC	德州市人民政府	TOT (Financial assets)	100,000	20 years from 2006 to 2026
武漢漢西污水處理有限公司	武漢漢西污水處理廠	Wuhan, Hubei Province, the PRC	武漢市人民政府	BOT (Financial assets)	400,000	25 years from 2004 to 2029
黃石凱迪水務有限公司	湖北黃石污水處理項目	Huangshi, Hubei Province, the PRC	黃石市市政公用局	BOT (Financial assets)	125,000	27 years from 2008 to 2035
武漢黃陂凱迪水務有限公司	武漢黃陂供水項目	Wuhan, Hubei Province, the PRC	武漢市黃陂區政府	BOT (Intangible assets)	260,000	30 years from 2008 to 2038
濰坊上實環境污水處理有限公司	濰坊市污水處理廠遷建項目	Weifang, Shandong Province, the PRC	濰坊市人民政府	BOT (Financial assets)	200,000	30 years from 2014 to 2044
深圳市南方水務有限公司	深圳市龍崗污水處理廠	Shenzhen, Guangdong Province, the PRC	深圳市水務局	BOT (Financial assets)	280,000	22 years from 2009 to 2031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. SERVICE CONCESSION ARRANGEMENTS (Continued)

(I) Nature of arrangements (Continued)

As explained in the accounting policy for "Service concession arrangements" set out in Note 4, a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (receivable under service concession arrangement) or a combination of both, as appropriate. The intangible asset component is detailed in Note 20, and the financial asset component is as follows:

	2014 HK\$'000	2013 HK\$'000
Receivables under service concession arrangements	4,516,923	3,860,612
Less: current portion classified as current assets	(137,176)	(115,426)
Non-current portion	4,379,747	3,745,186

During the year, the Group recognised interest income of HK\$272,660,000 (2013: HK\$239,759,000) as other income and construction income of HK\$441,483,000 (2013: HK\$497,894,000) as revenue under the line item "income from infrastructure facilities" from service concession arrangements. The effective interest rate applied ranges from 5.76% to 13.00% (2013: 5.76% to 13.00%) per annum.

(II) Provision for major overhauls

Pursuant to the service concession agreements, the Group has contractual obligations to maintain the sewage and water treatment plants to a specified level of serviceability and/or to restore the plants to a specified condition before they are handed over to the grantors at the end of the service concession periods. These contractual obligations to maintain or restore the sewage and water treatment plants, except for any upgrade element, are recognised and measured in accordance with HKAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

The movements in the provision for the major overhauls of sewage and water treatment plants during the current and prior years are as follows:

	HK\$'000
At 1 January 2013	79,516
Exchange adjustments	2,342
Utilisation	(4,048)
At 31 December 2013	77,810
Exchange adjustments	(1,263)
Additions	6,769
Utilisation	(4,382)
At 31 December 2014	78,934

27. DEPOSITS PAID ON ACQUISITION OF A SUBSIDIARY/PROPERTY, PLANT AND EQUIPMENT

Deposit paid on acquisition of a subsidiary as at 31 December 2013 represented a deposit paid by the Group for the acquisition of 100% equity interest in Shanghai Qingpu Second Waste Water Treatment Plant Co., Limited ("Shanghai Qingpu"). The acquisition was subsequently completed in February 2014 as detailed in Note 43(II).

Deposits paid on acquisition of property, plant and equipment represent deposits paid by the Group in connection with the acquisition of property, plant and equipment for the Group's new production facilities.

The related capital commitments are disclosed in Note 47.

28. RESTRICTED BANK DEPOSITS

As at 31 December 2013, the amounts represented certain deposits, the use of which by the Group is restricted as a result of a commercial court case brought by a non-controlling shareholder of a subsidiary. The restricted bank deposits carried interest at a fixed rate of 0.5% per annum. During the year ended 31 December 2014, the relevant restricted bank deposits were unfrozen under a court order and transferred to settle the disputed amounts.

29. 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	Amortisation of toll road operating rights	EIT on revaluation of investment properties	LAT on revaluation of investment properties	Tax losses	Fair value adjustments on business combinations	Undistributed earnings of PRC entities	EIT on fair value adjustments under development/properties held for sale	LAT on properties under development/properties held for sale	Convertible bonds	Other deferred tax liabilities	Other deferred tax assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	140,065	265,413	1,065,214	1,528,036	(6,408)	1,936,734	293,192	304,665	157,769	-	91,763	(350,757)	5,425,686
Exchange adjustments	807	8,779	31,581	42,722	(156)	56,235	2,041	9,123	4,304	-	5,400	(17,440)	143,396
Issue of convertible bonds	-	-	-	-	-	-	-	-	-	70,772	-	-	70,772
Additions through acquisition of a subsidiary (Note 44)	965	-	-	-	-	-	-	-	-	-	-	-	965
Charged (credited) to profit or loss	36,659	58,169	(26,365)	(189,502)	(3,637)	(45,480)	(54,501)	(15,112)	(22,894)	(11,919)	8,884	3,184	(262,516)
At 31 December 2013	178,496	332,361	1,070,430	1,381,256	(10,201)	1,947,489	240,732	298,676	139,177	58,853	106,047	(365,013)	5,378,303
Exchange adjustments	(3,255)	(7,923)	(37,808)	(32,882)	183	(41,301)	1,580	(6,978)	(3,211)	-	(12,586)	6,952	(137,229)
Additions through acquisition of a subsidiary (Note 43)	-	-	1,030,851	-	-	89,916	-	-	-	-	-	-	1,120,767
Charged (credited) to profit or loss	10,560	(7,327)	(2,766)	(45,446)	2,379	(48,492)	94,083	(27,015)	(18,426)	(13,861)	(76,606)	2,825	(130,092)
At 31 December 2014	185,801	317,111	2,060,707	1,302,928	(7,639)	1,947,612	336,395	264,683	117,540	44,992	16,855	(355,236)	6,231,749

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. DEFERRED TAXATION (Continued)

Notes:

- (i) For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 HK\$'000	2013 HK\$'000
Deferred tax liabilities	6,547,167	5,638,378
Deferred tax assets	(315,418)	(260,075)
	6,231,749	5,378,303

- (ii) At the end of the reporting period, the Group had unused tax losses of approximately HK\$3,967.3 million (2013: HK\$3,794.4 million) available for offset against future assessable profits. A deferred tax asset amounting to approximately HK\$7.6 million (2013: HK\$10.2 million) in respect of tax losses amounting to approximately HK\$30.6 million (2013: HK\$40.8 million) has been recognised. No deferred tax asset was recognised in respect of the remaining tax losses of approximately HK\$3,936.7 million (2013: HK\$3,753.6 million) due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK\$20.4 million (2013: HK\$19.9 million) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK\$3,946.9 million (2013: HK\$3,774.5 million) will expire in various dates in the next five years.
- (iii) Under the Law of the PRC on EIT, withholding tax is imposed on dividends declared in respect of profits earned by PRC entities from 1 January 2008 onwards. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK\$644 million (2013: HK\$638 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.
- (iv) Other deferred tax liabilities mainly include deferred tax on fair value change of financial assets classified as held for trading. Other deferred tax assets include deferred tax on (a) impairment loss on bad and doubtful debts, (b) pre-operating expenses and (c) accrued expenses.

30. INVENTORIES

	2014 HK\$'000	2013 HK\$'000
Properties under development held for sale	34,560,076	34,392,018
Properties held for sale	10,935,984	12,013,260
Raw materials	1,277,000	1,328,388
Work in progress	42,977	73,196
Finished goods	179,985	125,421
Merchandise held for resale	11,178	9,776
	47,007,200	47,942,059

At 31 December 2014, included in the above balance were properties under development held for sale of HK\$28,637,258,000 (2013: HK\$27,452,970,000) which are not expected to be realised within one year.

At 31 December 2013, included in properties under development held for sale are 4 pieces of land with an aggregate carrying amount of RMB4,206,852,000 (equivalent to HK\$5,386,494,000) which were obtained from Shanghai Xuhui District Planning and Land Administration Bureau 上海市徐匯區規劃和土地管理局 ("Shanghai Xuhui") under a land swap arrangement (the "Arrangement"). Under the Arrangement, the Group transferred a piece of land with a similar carrying amount to Shanghai Xuhui. No land premium or any other amounts are payable by the Group for the land swap. In the opinion of the directors of the Company, there is no material difference in the fair values of the land in the Arrangement. The land swap procedures had been completed at the end of the year ended 31 December 2013.

31. TRADE AND OTHER RECEIVABLES

	2014 HK\$'000	2013 HK\$'000
Trade receivables	962,527	1,112,578
Less: allowance for doubtful debts	(27,953)	(18,827)
	934,574	1,093,751
Other receivables (Note vi)	4,005,793	5,104,923
Total trade and other receivables	4,940,367	6,198,674

Notes:

- (i) Before accepting any new customer, the Group assesses the potential customer's credit quality by investigating their historical credit records and defines credit limits by customer. Credit sales are made to customers with good credit history and credit limits granted to customers are under regular review. Majority of the trade receivables that are neither past-due nor impaired has no default payment history.
- (ii) The Group generally allows credit periods ranging from 30 days to 180 days to its trade customers, other than property buyers. For property sales, due to the nature of business, the Group generally grants no credit period to property buyers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximates the respective revenue recognition dates.

	2014 HK\$'000	2013 HK\$'000
Within 30 days	294,684	288,178
Within 31-60 days	260,654	172,099
Within 61-90 days	110,967	226,304
Within 91-180 days	96,075	134,422
Within 181-365 days	100,989	169,979
Over 365 days	71,205	102,769
	934,574	1,093,751

- (iii) Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK\$380,673,000 (2013: HK\$374,979,000) which were past due at the reporting date but for which the Group has not provided for impairment loss because management is of the opinion that the amounts will be fully recoverable as there has not been any significant deterioration in credit quality of the debtors. The Group does not hold any collateral over these balances.
- (iv) Ageing of trade receivables which were past due but not impaired

	2014 HK\$'000	2013 HK\$'000
31-60 days	143,978	29,403
61-90 days	30,780	34,572
91-180 days	63,161	51,994
181-365 days	93,153	163,410
Over 365 days	49,601	95,600
Total	380,673	374,979

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

31. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(v) Movements in the allowance for doubtful debts

	2014 HK\$'000	2013 HK\$'000
Balance at beginning of the year	18,827	2,151
Impairment losses recognised on receivables	13,375	17,530
Amounts written off as uncollectible	(61)	(854)
Amounts recovered during the year	(4,188)	-
Balance at end of the year	27,953	18,827

(vi) At 31 December 2014, included in other receivables were (a) consideration receivables of nil amount (2013: HK\$1,419,628,000) and (b) amounts of HK\$2,089,524,000 (2013: HK\$1,876,426,000) due from certain associates in which an amount of HK\$1,851,917,000 (2013: HK\$1,769,996,000) carries fixed interest at prevailing market interest rate.

32. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2014 HK\$'000	2013 HK\$'000
Contracts in progress in relation to construction of sewage and water treatment plants at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	512,216	565,689
Less: progress billings	(455,398)	(491,839)
	56,818	73,850
Analysed for reporting purposes as:		
Amounts due from contract customers	87,499	94,259
Amounts due to contract customers	(30,681)	(20,409)
	56,818	73,850

As at 31 December 2014, retentions held by customers for contract works amounted to HK\$13,931,000 (2013: HK\$8,796,000). Advances received from customers for contract work amounted to HK\$109,950,000 (2013: HK\$105,955,000).

33. PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND BANK BALANCES AND CASH

THE GROUP

- (i) Bank deposits with maturity of less than one year of HK\$742,973,000 (2013: HK\$512,231,000) have been pledged to secure the Group's general banking facilities and are therefore classified as current assets. The pledged bank deposits carry interest at fixed interest rates, ranging from 0.35% to 3.50% (2013: 0.35% to 3.50%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.
- (ii) Short-term bank deposits with maturity of more than three months carry interest at market rates, ranging from of 3.05% to 4.40% (2013: 3.21% to 4.18%) per annum.
- (iii) Bank balances (including bank deposits with maturity of less than three months) carry interest at market rates, ranging from 0.00% to 6.00% (2013: 0.00% to 3.50%) per annum.

33. PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND BANK BALANCES AND CASH (Continued)

THE GROUP (Continued)

- (iv) The amounts of the Group's pledged bank deposits, short-term bank deposits and bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Renminbi	5,060,303	2,405,877
United States dollar	1,927,859	294,598
Hong Kong dollar	104,729	62,024

THE COMPANY

- (i) Bank balances (including bank deposits with maturity of less than three months) carry interest at market rates, ranging from 0.00% to 4.60% (2013: 0.00% to 3.50%) per annum.
- (ii) Included in bank balances and cash are amounts of HK\$3,448,773,000 (2013: HK\$1,714,985,000), HK\$574,000 (2013: HK\$131,398,000) denominated in RMB and United States dollar, currencies other than the functional currency of the Company.

34. DISPOSAL GROUP HELD FOR SALE/ASSETS CLASSIFIED AS HELD FOR SALE

(I) A disposal group held for sale as at 31 December 2014

In August 2014, the Group resolved to dispose of its entire 100% equity interest in Bold Eagle Investment Limited, a wholly owned subsidiary of SI Urban Development, and its wholly owned subsidiaries including All Win Investment Limited and 中歐城開有限公司 (collectively referred to as the "Bold Eagle Group"). Subsequently on 10 February 2015, the Group entered into a share transfer agreement with an independent third party, pursuant to which the Group has agreed to dispose of its entire 100% equity interest in the Bold Eagle Group at a consideration of RMB940 million (equivalent to HK\$1,174,706,000). Bold Eagle Group is principally engaged as property development in the PRC. A deposit of HK\$99,975,000 was received by the Group and has been included in other payables as at 31 December 2014 as set out in Note 35.

The net proceeds of disposal exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss is considered necessary.

The major classes of assets and liabilities of the Bold Eagle Group, which have been presented separately in the consolidated statement of financial position as held for sale, are as follows:

	HK\$'000
Property, plant and equipment	131
Properties under development held for sale	638,957
Bank balances and cash	106
Total assets classified as held for sale	639,194
Other payables representing total liabilities associated with assets classified as held for sale	(28)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

34. DISPOSAL GROUP HELD FOR SALE/ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

(II) Interest in an associate classified as held for sale as at 31 December 2014

In December 2014, the Group resolved to dispose of its entire 25% equity interest in an associate, namely 許昌永昌印務有限公司 (Xuchang Yongchang Printing Co., Ltd.) ("Xuchang Yongchang"), to an independent third party for a consideration of RMB69,607,000 (equivalent to HK\$86,987,000). The interest in an associate, amounting to HK\$52,534,000, has been classified as held for sale and presented separately in the consolidated statement of financial position of as at 31 December 2014. The net proceeds of disposal exceed the carrying amount of the interest in the associate and accordingly, no impairment loss has been recognised.

(III) A disposal group held for sale as at 31 December 2013

In November 2013, the Group resolved to dispose of its 100% interest in Shanghai Feng Qi Properties Co., Ltd. ("Feng Qi Shanghai"), a limited liability company established in the PRC. Feng Qi Shanghai is owned by the Company, through two wholly owned investment holding subsidiaries, and SI Development, a 63.65% owned subsidiary of the Company, as to 49% and 51%, respectively. Feng Qi Shanghai owns a property development project on a piece of land located at Qingpu District in Shanghai, the PRC.

Subsequently on 26 November 2013, the Company entered into a sale and purchase agreement with an independent third party (the "Purchaser") and pursuant to which, the Company agreed to dispose of its 49% interest in Feng Qi Shanghai and the two investment holding subsidiaries to the Purchaser for a consideration of RMB821,419,000 (equivalent to HK\$1,040,957,000). SI Development also entered into two separate sale and purchase agreements on 7 January 2014 and 28 January 2014 with the Purchaser and pursuant to which, SI Development agreed to dispose of its 51% interest in Feng Qi Shanghai to the Purchaser for an aggregate consideration of RMB855,000,000 (equivalent to HK\$1,085,496,000).

The subsidiaries to be disposed of are collectively referred to as the "Feng Qi Group". The assets and liabilities attributed to the Feng Qi Group, which were expected to be sold within twelve months from 31 December 2013, were classified as assets held for sale and were presented separately in the consolidated statement of financial position at 31 December 2013.

Further details of the above transactions are set out in the announcements of the Company dated 26 November 2013, 7 January 2014 and 28 January 2014.

The major classes of assets and liabilities of the Feng Qi Group classified as held for sale as at 31 December 2013 are as follows:

	HK\$'000
Property, plant and equipment	581
Inventories	921,906
Other receivables	166
Bank balances and cash	183,699
Total assets classified as held for sale	1,106,352
Other payables	17,683
Bank and other borrowings	637,947
Total liabilities associated with assets classified as held for sale	655,630

The above disposals of 49% and 51% interests were completed in February 2014 and March 2014, respectively, and further details are set out in Note 34(V).

34. DISPOSAL GROUP HELD FOR SALE/ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

(IV) Investment properties classified as held for sale as at 31 December 2013

As disclosed in Note 16, the Group entered into sales and purchase agreements during the year ended 31 December 2013 to dispose of certain investment properties to independent third parties. The disposals were to be completed upon fulfillment of certain conditions precedent. The investment properties, which had been fair-valued with reference to the disposal considerations, were classified as assets held for sale and presented separately in the consolidated statement of financial position as at 31 December 2013. Deposits of HK\$66,249,000 were received by the Group before 31 December 2013 and were included in other payables as at 31 December 2013 as set out in Note 35.

Included in assets classified as held for sale as at 31 December 2013 were:

	HK\$'000
Investment properties	132,458

The disposal was completed during the year ended 31 December 2014 and further details are set out in Note 34(V).

- (V) Further details of consideration and the values of interest in the Feng Qi Group and investments properties at the respective dates of disposals during the year ended 31 December 2014 were as follows:

	The Feng Qi Group HK\$'000	Investment properties HK\$'000	Total HK\$'000
Interest/assets disposed of	439,083	132,458	571,541
Reclassification of translation reserve upon disposal to profit or loss	(1,256)	–	(1,256)
Non-controlling interests	(81,400)	–	(81,400)
	356,427	132,458	488,885
Gain on disposal – interest in the Feng Qi Group	1,716,165	–	1,716,165
Total consideration	2,072,592	132,458	2,205,050
Satisfied by:			
Cash received	2,072,592	66,209	2,138,801
Consideration received in advance as at 31 December 2013 (Note 35)	–	66,249	66,249
	2,072,592	132,458	2,205,050
Net cash inflow arising on disposals:			
Total cash consideration received	2,072,592	66,209	2,138,801
Less: bank balances and cash disposed of	(178,955)	–	(178,955)
	1,893,637	66,209	1,959,846

The impact of the above disposals on the Group's results and cash flows in the current and prior years is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

35. TRADE AND OTHER PAYABLES

	2014 HK\$'000	2013 HK\$'000
Trade payables (Note i)	3,588,618	2,641,685
Consideration payables	763,940	325,348
Other payables (Note ii)	11,816,303	11,727,300
Total trade and other payables	16,168,861	14,694,333

Notes:

- (i) The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2014 HK\$'000	2013 HK\$'000
Within 30 days	484,307	553,062
Within 31-60 days	234,290	136,522
Within 61-90 days	175,272	54,079
Within 91-180 days	117,992	63,458
Within 181-365 days	840,200	859,465
Over 365 days	1,736,557	975,099
	3,588,618	2,641,685

- (ii) Included in other payables as at 31 December 2014 were (a) amounts of HK\$386,268,000 (2013: HK\$310,088,000) due to Xuhui SASAC and entities controlled by Xuhui SASAC (see Note 51(l)(f)), (b) amounts of HK\$125,606,000 (2013: HK\$1,475,122,000) due to certain fellow subsidiaries, which are unsecured and have no fixed terms of repayment, and except for HK\$29,993,000 (2013: HK\$128,161,000) carrying interest at a fixed rate of 4% (2013: 4%) per annum, the remaining balance is non-interest bearing, (c) aggregate consideration received in advance for disposal of disposal group held for sale/assets classified as held for sale (see Note 34) of HK\$99,975,000 (2013: HK\$66,249,000), (d) an amount of HK\$1,183,988,000 (2013: Nil) due to a non-controlling shareholder, which is unsecured, interest-free and repayable on demand and (e) accrued expenditure on properties under development of HK\$3,731,441,000 (2013: HK\$4,905,338,000).

36. CUSTOMER DEPOSITS FROM SALES OF PROPERTIES

These represent proceeds received on property sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy. An amount of approximately HK\$57 million (2013: HK\$458 million) is expected to be recognised as revenue after more than one year.

37. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Bank loans	37,464,175	26,615,421	1,249,271	1,280,410
Other loans	3,251,310	4,249,304	–	–
	40,715,485	30,864,725	1,249,271	1,280,410
Analysed as:				
Secured	17,661,816	10,362,733	–	–
Unsecured	23,053,669	20,501,992	1,249,271	1,280,410
	40,715,485	30,864,725	1,249,271	1,280,410
Carrying amount repayable:				
Within one year	18,431,868	12,960,798	1,249,271	1,280,410
More than one year but not more than two years	3,161,047	10,283,455	–	–
More than two years but not more than five years	16,035,320	5,818,259	–	–
Over five years	3,087,250	1,802,213	–	–
	40,715,485	30,864,725	1,249,271	1,280,410
Less: amounts due within one year shown under current liabilities	(18,431,868)	(12,960,798)	(1,249,271)	(1,280,410)
	22,283,617	17,903,927	–	–

Notes:

- (i) The exposure of the Group's and the Company's fixed-rate borrowings and the contractual maturity dates are as follows:

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Fixed-rate borrowings:				
Within one year	5,312,423	5,678,742	1,249,271	1,280,410
More than one year but not more than two years	595,684	1,042,680	–	–
More than two years but not more than three years	129,968	34,144	–	–
More than three years but not more than four years	–	12,804	–	–
	6,038,075	6,768,370	1,249,271	1,280,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

37. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

- (ii) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's and the Company's borrowings are as follows:

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
Effective interest rate:				
Fixed-rate borrowings	3.40% to 7.20%	2.20% to 7.20%	3.40%	2.20%
Variable-rate borrowings	1.26% to 8.16%	1.24% to 8.16%	N/A	N/A

- (iii) Included in the Group's bank borrowings is an amount of HK\$6,596 million (2013: HK\$5,200 million) drawn under syndicated loan facilities of HK\$6,600 million (2013: HK\$5,200 million) obtained by the Group. Transaction costs of approximately HK\$65 million (2013: HK\$33 million) which were directly attributable to such bank borrowings were deducted from the fair values of the bank borrowings on initial recognition. At 31 December 2014, the carrying value of such bank borrowings was approximately HK\$6,554 million (2013: HK\$5,191 million).
- (iv) Included in other loans is an advanced bond (the "Bond") of HK\$1,866,362,000 (2013: HK\$1,900,530,000) issued by a non-wholly owned subsidiary of the Group in the PRC in August 2012 and listed on Shanghai Stock Exchange. The Bond is unsecured and has a maturity of six years falling due on 20 August 2018. The Bond carries interest at rates of 6.5% per annum for the first three years, and 6.5% per annum plus 0 to 100 basis point for the next three years. The bondholders have the right to request the above-said non-wholly owned subsidiary to redeem the Bonds from the fourth year onwards at principal amount. Transaction costs of HK\$33,194,000 were directly deducted from the carrying amount of the Bond on initial recognition and the effective interest rate applied to the Bond was 7.19% per annum.
- (v) Certain bank facilities granted to the Group include requirements that (a) SIIC retains management control over the Company and holds not less than 35% of the Company's voting capital and (b) SIIC remains under the control of the Shanghai Municipal People's Government.

38. CONVERTIBLE BONDS

On 18 February 2013 (the "Issue Date"), a wholly owned subsidiary of the Company, Tong Jie Limited (the "Issuer"), issued zero coupon convertible bonds with a principal amount of HK\$3,900,000,000 ("CB 2018"). Unless early redeemed, CB 2018 will be redeemed at 105.11% of the principal amount on 18 February 2018 (the "Maturity Date"). CB 2018 are guaranteed by the Company and listed on the Stock Exchange.

The principal terms of CB 2018 are as follows:

The holders of CB 2018 have the right to convert all or any portion of CB 2018 into shares of the Company at the conversion price of HK\$36.34 per share (subject to anti-dilutive adjustments). The conversion right can be exercised at any time on or after 40 days from the Issue Date up to, and including, the close of business on the business day seven days prior to the Maturity Date.

The holders of CB 2018 have the option to require the Issuer to redeem all or some only of CB 2018 on 18 February 2016 at a pre-determined redemption amount ("Holders' Redemption Option").

At any time after 18 February 2016 to the day prior to the Maturity Date, the Issuer may redeem CB 2018 in whole but not in part at a pre-determined redemption amount if the closing price of the shares of the Company for any 20 trading days out of the 30 consecutive trading days prior to the date upon which notice of such redemption is given is at least 130 per cent of the applicable early redemption amount divided by the conversion ratio ("Issuer's Redemption Option").

38. CONVERTIBLE BONDS (Continued)

CB 2018 contain a liability component, an equity component, Holders' Redemption Option and Issuer's Redemption Option. The equity component is presented in the equity under the heading "Convertible bonds equity reserve". The effective interest rate applied to the liability component on initial recognition was 2% per annum.

The movements of the liability component and equity components of CB 2018 for the year are set out as below:

	Liability component HK\$'000	Equity component HK\$'000
At 1 January 2013	–	–
Issue on 18 February 2013	3,712,653	187,347
Transaction costs	(42,287)	(2,133)
Interest charged	72,241	–
Deferred tax liability	–	(70,772)
At 31 December 2013	3,742,607	114,442
Interest charged	84,006	–
At 31 December 2014	3,826,613	114,442

39. SENIOR NOTES

On 23 July 2007, SI Urban Development issued 4,000 units of senior notes at an aggregate par value of US\$400,000,000 (equivalent to HK\$3,120,000,000) ("Senior Notes 2014") and 264,000,000 warrants ("Warrants 2012"). The Senior Notes 2014 bore interest at a rate of 9.75% per annum and was mature on 23 July 2014. The Senior Notes 2014 were guaranteed by all of SI Urban Development's existing subsidiaries at the date of issue and at any time in future other than those established under the laws of the PRC.

The Senior Notes 2014 and Warrants 2012 were separated immediately upon their issuance and the Warrants 2012 were detachable from the Senior Notes 2014.

Warrants 2012 were not exercised by the holders and lapsed upon maturity on 23 July 2012.

Other than the liability element and Warrants 2012, Senior Notes 2014 also contain a redemption right granted to SI Urban Development. The redemption right was separately accounted for at fair value at the end of the reporting period as a derivative financial instrument and its fair value was insignificant as at 31 December 2013.

The effective interest rate of the liability element was 8.87% per annum.

During the year ended 31 December 2014, the Group redeemed the Senior Notes 2014 in full upon maturity and the redemption right was also lapsed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

40. SHARE CAPITAL/SHARE PREMIUM AND RESERVES

	Number of ordinary shares	Amount HK\$'000
Authorised:		
At 1 January 2013 and 31 December 2013		
– Ordinary shares of HK\$0.10 each	2,000,000,000	200,000
At 31 December 2014	Note (i)	Note (i)
Ordinary shares, issued and fully paid:		
At 1 January 2013		
Exercise of share options (Note (ii))	1,080,249,000	108,025
Exercise of share options (Note (ii))	2,502,600	250
At 31 December 2013	1,082,751,600	108,275
Exercise of share options (Note (ii))	10,000	114
Transfer from share premium and capital redemption reserve upon abolition of par value (Note (i))	–	13,419,438
At 31 December 2014	1,082,761,600	13,527,827

Notes:

- (i) Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlements of any of the shareholders as a result of this transition.
- On 3 March 2014, the share premium account and the capital redemption reserve account of the Company amounted to HK\$13,418,367,000 and HK\$1,071,000, respectively, were transferred to, and became part of, the share capital of the Company following this transition.
- (ii) During the year ended 31 December 2014, the Company issued 10,000 (2013: 2,502,600) shares to the option holders who exercised their share options at an exercise price of HK\$22.71 (2013: HK\$22.71) under the SIHL Scheme (defined in Note 41). These new shares rank pari passu in all respects with other shares in issue.

41. SHARE-BASED PAYMENT TRANSACTIONS

Details of the equity-settled share option schemes adopted by the Company and other members of the Group are as follows:

(I) SIHL Scheme

- (a) The principal terms of the SIHL Scheme are set out below.

The Company, in accordance with Chapter 17 of the Listing Rules, adopted a share option scheme (the "SIHL Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 31 May 2002. The SIHL Scheme was valid and effective for a period of 10 years commencing the date of its adoption and terminated on 25 May 2012. Upon termination, no further share options would be granted and all previously granted share options remained valid until the end of the exercisable period. The SIHL Scheme was to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as the board of directors (the "Board") may approve from time to time.

According to the SIHL Scheme, the Board of the Company could grant options to any director or employee of each member of the Group (including a company in which (i) the Company was directly or indirectly interested in less than 20% of the issued share capital or equity interest or voting rights of such company but is the largest shareholder or the holder of the largest voting rights of such company; or (ii) in the opinion of the Board of the Company, the Company was able to exercise significant influence to such company); and any executive or employee of any business consultant, professional and other advisers in each member of the Group who had rendered service or would render service to the Group, to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. Share options granted were to be accepted within 30 days from the date of grant.

The Board of the Company could at its absolute discretion, determine and notify each grantee the period during which a share option could be exercised, such period were to expire not later than 10 years from the date of grant of the share options. Subject to the provisions of the SIHL Scheme, the Board of the Company could at its discretion when offering the grant of a share option impose any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price for shares in the Company were to be a price solely determined by the Board of the Company and notified to an eligible participant, and were to be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The total number of shares which could be issued upon exercise of all options to be granted under the SIHL Scheme and any other share option schemes of the Company was not in aggregate to exceed 10% of the total number of shares of the Company in issue as at the date of approval of the SIHL Scheme. The maximum number of shares which could be issued upon exercise of all outstanding options granted and yet to be exercised under the SIHL Scheme and any other share option schemes of the Company was not to exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant under the SIHL Scheme and any other option schemes (including both exercised, cancelled and outstanding options) in any 12-month period was not to exceed 1% of the total number of shares in issue unless approved by the shareholders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(I) SIHL Scheme (Continued)

- (b) As at 31 December 2014, the number of shares in respect of which options were granted and which remained outstanding was 42,327,000 (2013: 42,457,000), representing 3.9% (2013: 3.9%) of the shares of the Company in issue at that date.

The following table discloses movements of the Company's options under the SIHL Scheme held by the Group's directors, employees and other eligible participants during the year:

Month of grant	Exercise price per share HK\$	Outstanding at 1.1.2013	Exercised during the year	Cancelled during the year	Outstanding at 31.12.2013	Exercised during the year	Cancelled during the year	Outstanding at 31.12.2014
November 2010	36.60	25,270,000	-	(1,200,000)	24,070,000	-	(120,000)	23,950,000
September 2011	22.71	20,043,200	(2,502,600)	(297,600)	17,243,000	(10,000)	-	17,233,000
May 2012	23.69	1,144,000	-	-	1,144,000	-	-	1,144,000
		46,457,200	(2,502,600)	(1,497,600)	42,457,000	(10,000)	(120,000)	42,327,000
Exercisable at the end of the year					42,113,800			42,327,000
Weighted average exercise price	30.29	21.71	33.84	30.61	22.71	36.60	30.60	

Details of the share options held by the directors of the Company included in the above table are as follows:

Month of grant	Exercise price per share HK\$	Outstanding at 1.1.2013	Reclassified during the year	Outstanding at 31.12.2013	Reclassified during the year	Outstanding at 31.12.2014
November 2010	36.60	4,660,000	(1,200,000)	3,460,000	(750,000)	2,710,000
September 2011	22.71	3,728,000	(960,000)	2,768,000	(600,000)	2,168,000
May 2012	23.69	600,000	-	600,000	-	600,000
		8,988,000	(2,160,000)	6,828,000	(1,350,000)	5,478,000
Exercisable at the end of the year				6,648,000		5,478,000
Weighted average exercise price	29.98	30.43	29.83	30.43	29.89	

Share options granted in November 2010 are exercisable during the period from 3 November 2010 to 2 November 2015 in three batches, being:

- 3 November 2010 to 2 November 2011 (up to 40% of the share options granted are exercisable)
- 3 November 2011 to 2 November 2012 (up to 70% of the share options granted are exercisable)
- 3 November 2012 to 2 November 2015 (all share options granted are exercisable)

Share options granted in September 2011 are exercisable during the period from 21 September 2011 to 20 September 2016 in three batches, being:

- 21 September 2011 to 20 September 2012 (up to 40% of the share options granted are exercisable)
- 21 September 2012 to 20 September 2013 (up to 70% of the share options granted are exercisable)
- 21 September 2013 to 20 September 2016 (all share options granted are exercisable)

41. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(I) SIHL Scheme (Continued)

(b) (Continued)

Share options granted in May 2012 are exercisable during the period from 17 May 2012 to 16 May 2017 in three batches, being:

- 17 May 2012 to 16 May 2013 (up to 40% of the share options granted are exercisable)
- 17 May 2013 to 16 May 2014 (up to 70% of the share options granted are exercisable)
- 17 May 2014 to 16 May 2017 (all share options granted are exercisable)

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK\$28.13 (2013: HK\$27.70). Total consideration received for shares issued upon exercise of share options, net of direct issue costs of HK\$11,200 (2013: HK\$20,800), was HK\$215,000 (2013: HK\$56,813,000).

- (c) The Group recognised an expense of HK\$164,000 (2013: HK\$5,904,000) for the year in relation to the share options granted with reference to the respective vesting periods, of which HK\$78,000 (2013: HK\$3,956,000) was related to options granted to the Group's employees and shown as employee benefits expense, and the remaining balance represents share-based payment expense for eligible participants other than employees.

(II) SIHL New Scheme

The principal terms of the SIHL New Scheme are set out below.

The Company, in accordance with Chapter 17 of the Listing Rules, adopted a share option scheme (the "SIHL New Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 25 May 2012. The SIHL New Scheme shall be valid and effective for a period of 10 years commencing the date of its adoption, after which period no further share options will be granted. The SIHL New Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as the Board may approve from time to time.

According to the SIHL New Scheme, the Board of the Company may grant options to any director or employee of each member of the Group (including a company in which (i) the Company is directly or indirectly interested in less than 20% of the issued share capital or equity interest or voting rights of such company but is the largest shareholder or the holder of the largest voting rights of such company; or (ii) in the opinion of the Board of the Company, the Company is able to exercise significant influence to such company); and any executive or employee of any business consultant, professional and other advisers in each member of the Group who have rendered service or will render service to the Group, to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. Share options granted should be accepted within 30 days from the date of grant.

The Board of the Company may at its absolute discretion, determine and notify each grantee the period during which a share option may be exercised, such period should expire not later than 10 years from the date of grant of the share options. Subject to the provisions of the SIHL New Scheme, the Board of the Company may at its discretion when offering the grant of a share option impose any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price for shares in the Company shall be a price solely determined by the Board of the Company and notified to an eligible participant, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(II) SIHL New Scheme (Continued)

The total number of shares which may be issued upon exercise of all options to be granted under the SIHL New Scheme and any other share option schemes of the Company shall not in aggregate to exceed 10% of the total number of shares of the Company in issue as at the date of approval of the SIHL New Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SIHL New Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant under the SIHL New Scheme and any other option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless approved by the shareholders of the Company.

During the year, no options were granted or outstanding under the SIHL New Scheme.

(III) SI Urban Development Scheme

(a) The principal terms of the SI Urban Development Scheme are set out below.

A listed subsidiary of the Company, SI Urban Development, operates a share option scheme (the "SI Urban Development Scheme") which was first adopted on 12 December 2002 in a special general meeting of SI Urban Development. Under the SI Urban Development Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SI Urban Development Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of SI Urban Development from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of SI Urban Development at any time.

The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK\$1 received by SI Urban Development. The exercise period of the share options granted is determinable by the directors of SI Urban Development, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of SI Urban Development, but in any case must be the highest of (i) the closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of SI Urban Development's shares.

41. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(III) SI Urban Development Scheme (Continued)

- (b) As at 31 December 2014, the number of shares of SI Urban Development in respect of which options were granted and which remained outstanding was 57,750,000 (2013: 57,750,000), representing 1.2% (2013: 1.2%) of the shares of SI Urban Development in issue at that date.

The following table discloses movements of share options granted during the year:

Grantees	Month of grant	Exercised price per share HK\$	Outstanding at 1.1.2013	Reclassified during the year	Cancelled during the year	Outstanding at 31.12.2013	Reclassified during the year	Outstanding at 31.12.2014
Directors of SI Urban Development, who are also directors of the Company	September 2010	2.98	7,000,000	-	-	7,000,000	8,000,000	15,000,000
Other directors of SI Urban Development	September 2010	2.98	26,000,000	5,000,000	-	31,000,000	(8,000,000)	23,000,000
Employees of SI Urban Development	September 2010	2.98	27,750,000	(12,000,000)	(3,000,000)	12,750,000	-	12,750,000
Others	September 2010	2.98	-	7,000,000	-	7,000,000	-	7,000,000
			60,750,000	-	(3,000,000)	57,750,000	-	57,750,000
Exercisable at the end of the year						57,750,000		57,750,000

Share options granted in September 2010 are exercisable during the period from 24 September 2010 to 23 September 2020 in three batches, being:

- 24 September 2010 to 23 September 2011 (up to 40% of the share options granted are exercisable)
- 24 September 2011 to 23 September 2012 (up to 70% of the share options granted are exercisable)
- 24 September 2012 to 23 September 2020 (all share options granted are exercisable)

- (c) All the share options under the Scheme were vested and the related expenses were recognised in profit or loss in previous years.

(IV) SI Urban Development New Scheme

The principal terms of the SI Urban Development New Scheme are set out below.

SI Urban Development, operates a share option scheme (the "SI Urban Development New Scheme") which was first adopted on 16 May 2013 in an annual general meeting of SI Urban Development. Under the SI Urban Development New Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SI Urban Development New Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of SI Urban Development from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of SI Urban Development at any time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(IV) SI Urban Development New Scheme (Continued)

The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK\$1 received by SI Urban Development. The exercise period of the share options granted is determinable by the directors of SI Urban Development, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of SI Urban Development, but in any case must be the highest of (i) the closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of SI Urban Development's shares.

During the year, no options were granted or outstanding under the SI Urban Development New Scheme.

(V) SI Environment Scheme

The principal terms of the SI Environment Scheme are set out below.

SI Environment operates a share option scheme (the "SI Environment Scheme"), which was adopted on 27 April 2012 in an extraordinary general meeting of SI Environment. The SI Environment Scheme shall be valid and effective for a period of 5 years commencing the date of its adoption, after which period no further share options will be granted. The aggregate nominal amount of shares which may be issued and issuable in respect of all options granted under the SI Environment Scheme, shall not exceed 15% of the issued share capital of SI Environment (excluding treasury shares) from time to time.

Under the SI Environment Scheme, the aggregate number of shares in relation to the grant of options that are available to the controlling shareholders or their associates shall not exceed 25% of the total number of shares which may be granted under the SI Environment Scheme. The number of shares available to any one controlling shareholder or his/her associate(s) shall not exceed 10% of the total number of shares which may be granted under the SI Environment Scheme.

Under the SI Environment Scheme, SI Environment can grant options at a price which is equal to the average of the last dealt prices for the share, as determined by reference of the daily official list or any other publication published by the SGX-ST for the three consecutive trading days immediately preceding the date of grant ("Price"). Options will not be granted at a discount to the Price.

The offer of the grant of an option is to be accepted by the grantee within 30 days from the date of offer of that option and, in any event, not later than 5:00 p.m. on the 30th day from such date of offer by completing, signing and returning the acceptance form accompanied by payment of S\$1.00 as consideration. The exercise period of the share options granted is determinable by the remuneration committee of SI Environment. Options granted with exercise price set at Price are only to be exercisable, in whole or in part, after the 1st anniversary of the date of offer. Options granted to non-executive directors and employees of the associated companies can be exercised before the 5th anniversary of the relevant date of offer.

During the year, no options were granted or outstanding under the SI Environment Scheme.

42. SHARE PREMIUM AND RESERVES

	Share premium HK\$'000	Share options reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY							
At 1 January 2013	13,357,052	162,361	-	1,071	1,137,728	11,707,832	26,366,044
Profit for the year	-	-	-	-	-	1,474,644	1,474,644
Issue of shares upon exercise of share options	61,195	(4,632)	-	-	-	-	56,563
Recognition of equity-settled share-based payments	-	5,904	-	-	-	-	5,904
Issue of convertible bonds by a subsidiary (Note 38)	-	-	185,214	-	-	-	185,214
Dividends paid (Note 14)	-	-	-	-	-	(1,081,027)	(1,081,027)
At 31 December 2013	13,418,247	163,633	185,214	1,071	1,137,728	12,101,449	27,007,342
Profit for the year	-	-	-	-	-	2,023,986	2,023,986
Issue of shares upon exercise of share options	120	(19)	-	-	-	-	101
Recognition of equity-settled share-based payments	-	164	-	-	-	-	164
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note 40)	(13,418,367)	-	-	(1,071)	-	-	(13,419,438)
Dividends paid (Note 14)	-	-	-	-	-	(974,486)	(974,486)
At 31 December 2014	-	163,778	185,214	-	1,137,728	13,150,949	14,637,669

Notes:

- (i) The Company's reserve available for distribution to shareholders as at 31 December 2014 represents its retained profits of approximately HK\$13,151 million (2013: HK\$12,101 million).
- (ii) The Company's capital reserve which arose in 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong was not realised profits and is an undistributable reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. ACQUISITION OF SUBSIDIARIES/BUSINESSES

(I) Acquisition of Continental Land during the year ended 31 December 2014

On 25 September 2014, Advantage World Investment Limited ("AWI"), a wholly owned subsidiary of SI Urban Development, acquired the entire issued share capital of Continental Land Development Limited ("Continental Land") and the shareholders' loans (the "Shareholders' Loans") from certain independent third parties at a total cash consideration of US\$579,328,000 (equivalent to HK\$4,518,760,000) (the "Acquisition"). Continental Land and its 99% interest held PRC subsidiary, namely 上海世界貿易商城有限公司 ("Shanghai World Trade") (collectively referred to as "Continental Land Group"), is engaged in the business of property development, property investment and hotel operations in the PRC. Continental Land Group was acquired so as to continue the expansion of the Group's property investment portfolio.

After completion of the Acquisition, a share subscription agreement was signed on the same date by AWI and an independent third party (the "Subscriber"), pursuant to which the Subscriber agreed to subscribe for, and AWI agreed to allot and issue the subscription shares, representing 49% of the enlarged issue share capital of AWI at the aggregated subscription price of US\$49 (equivalent to approximately HK\$380) (the "Share Subscription"). The Share Subscription was completed on 25 September 2014.

In connection with the Acquisition, the Subscriber provided a loan of US\$361,396,000 (equivalent to HK\$2,818,888,000) to SI Urban Development to finance the initial payment for the Acquisition. After the Share Subscription, the Subscriber transferred part of the loan from SI Urban Development of approximately US\$255,483,000 (equivalent to HK\$1,992,767,000) to AWI to become a shareholder loan to AWI. The amount is unsecured, interest-free and repayable on demand. As at 31 December 2014, an amount of US\$103,690,000 (equivalent to HK\$808,779,000) of the non-controlling shareholder loan was repaid by the Group and the outstanding balance is US\$151,793,000 (equivalent to HK\$1,183,988,000), which is included in other payables as at 31 December 2014. For the remaining loan to SI Urban Development of US\$105,913,000 (equivalent to HK\$826,121,000), it was secured by a pledged deposit of RMB660,000,000, interest bearing at London Inter-bank Offered Rate plus 3.72% and fully repaid on 7 November 2014.

	HK\$'000
Consideration transferred:	
Cash paid	2,623,886
Deferred cash consideration (Note)	451,876
Consideration for acquisition of Continental Land	3,075,762
Cash paid for assignment of the Shareholders' Loan	1,442,998
Total Consideration	4,518,760

Note: Included in cash consideration of US\$579,328,000 (equivalent to HK\$4,518,760,000), an amount of US\$57,933,000 (equivalent to HK\$451,876,000) is withheld by the Group for (i) the payment of other obligations and any tax obligations of the sellers owed to the PRC tax bureau authorities arising from their disposal of the Continental Land and (ii) the payment of any potential claims by the Group against the sellers within one year from the date of the sale and purchase agreement.

Acquisition-related costs amounting to HK\$34,275,000 has been excluded from the consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

43. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

(I) Acquisition of Continental Land during the year ended 31 December 2014 (Continued)

	HK\$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	3,384
Investment properties	6,583,206
Trade and other receivables	102,007
Bank balances and cash	121,256
Trade and other payables	(1,617,700)
Taxation payable	(10,043)
Bank and other borrowings	(1,031,016)
Deferred tax liabilities	(1,030,851)
	3,120,243
Less: Non-controlling interests	(44,481)
Total consideration	3,075,762
	HK\$'000
Net cash outflow arising on the acquisition:	
Cash consideration paid	4,066,884
Less: bank balances and cash acquired	(121,256)
	3,945,628

The Group subsequently acquired the remaining 1.0% interest of Shanghai World Trade from the a non-controlling shareholder for a cash consideration of approximately RMB72,419,000 (equivalent to HK\$92,274,000). The acquisition was completed on 18 November 2014.

The acquisition, without changing the Group's control over Shanghai World Trade was accounted for as an equity transaction. The difference between the fair value of cash consideration of HK\$92,274,000 and 1.0% of share of net assets by the non-controlling shareholder of HK\$44,957,000 amounting to HK\$47,317,000 was recognised directly in equity as other reserve and attributable to owners of the Company.

Included in the profit for the year is loss of HK\$1,257,000 attributable to the additional business generated by Continental Land Group. Revenue for the year includes HK\$101,411,000 generated from Continental Land Group.

Had the acquisition been completed on 1 January 2014, total group revenue for the year would have been HK\$20,265,430,000, and profit for the year would have been HK\$4,844,804,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

(II) Acquisition of other subsidiaries during the year ended 31 December 2014

During the year ended 31 December 2014, the Group also acquired the following subsidiaries for the expansion of water-related business.

- (i) In February 2014, the Group acquired 100% equity interest in Gold Wisdom Holdings Limited, (which together with its subsidiaries, are collectively referred to as the "Gold Wisdom Group") from an independent third party for a consideration of RMB119 million (equivalent to approximately HK\$148 million). The Gold Wisdom Group is principally engaged in the business of refuse disposal and waste incineration power generation in the PRC.
- (ii) In February 2014, the Group acquired 100% equity interest in Shanghai Qingpu Second Waste Water Treatment Plant Co., Ltd. ("Shanghai Qingpu") from an independent third party for a consideration of RMB180 million (equivalent to approximately HK\$225 million). Shanghai Qingpu is engaged principally in the business of waste water treatment in the PRC.
- (iii) In September 2014, the Group acquired 100% equity interest in Dongguan Shijie Shayao Water Purification Co., Ltd. ("Dongguan Shijie") from an independent third party for a consideration of RMB 87,985,000 (equivalent to approximately HK\$111 million). Dongguan Shijie is engaged principally in the business of waste water treatment in the PRC.
- (iv) In September 2014, the Group acquired 100% equity interest in Dongguan Fenggang Yantian Fangzhong Water Services Co., Ltd. ("Dongguan Fenggang") from an independent third party for a consideration of RMB78,570,000 (equivalent to approximately HK\$101 million). Dongguan Fenggang is engaged principally in the business of waste water treatment in the PRC.

43. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

(II) Acquisition of other subsidiaries during the year ended 31 December 2014 (Continued)

	The Gold Wisdom Group HK\$'000	Shanghai Qingpu HK\$'000	Dongguan Shijie HK\$'000	Dongguan Fenggang HK\$'000	Total HK\$'000
Consideration transferred					
Cash	135,961	67,383	68,199	54,601	326,144
Deferred consideration	12,473	-	43,104	46,000	101,577
Deposit paid on acquisition of a subsidiary	-	157,227	-	-	157,227
	148,434	224,610	111,303	100,601	584,948
Assets acquired and liabilities recognised at the date of acquisition are as follows:					
Property, plant and equipment	924	14,406	19	126	15,475
Other intangible assets	334,105	30,755	97,730	100,476	563,066
Receivables under service concession arrangements	172,451	343,956	82,753	59,232	658,392
Deferred tax assets	-	4,885	-	-	4,885
Inventories	558	139	78	39	814
Trade and other receivables	12,984	4,000	53,576	51,696	122,256
Pledged bank deposits	7,550	-	-	-	7,550
Bank balances and cash	5,372	31,174	1,120	1,089	38,755
Trade and other payables	(110,183)	(26,022)	(70,288)	(43,310)	(249,803)
Taxation payable	-	-	(270)	(132)	(402)
Bank and other borrowings	(270,249)	(139,142)	(25,300)	(40,973)	(475,664)
Deferred tax liabilities	(5,078)	(33,966)	(28,115)	(27,642)	(94,801)
	148,434	230,185	111,303	100,601	590,523
Bargain purchase gain arising on acquisition					
Consideration transferred	148,434	224,610	111,303	100,601	584,948
Less: net assets acquired	(148,434)	(230,185)	(111,303)	(100,601)	(590,523)
	-	(5,575)	-	-	(5,575)
Net cash outflow arising on acquisition					
Cash consideration paid	135,961	67,383	68,199	54,601	326,144
Less: bank balances and cash acquired	(5,372)	(31,174)	(1,120)	(1,089)	(38,755)
	130,589	36,209	67,079	53,512	287,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

(II) Acquisition of other subsidiaries during the year ended 31 December 2014 (Continued)

During the year ended 31 December 2014, the Group recognised a bargain purchase gain arising on acquisition of Shanghai Qingpu, amounting to HK\$5,575,000, which is included in other income, gains and losses.

The directors of the Company are of the opinion that the above subsidiaries acquired had no significant contribution to the Group's revenue or results for the year ended 31 December 2014.

44. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

In October 2013, the Group acquired 100% equity interest in Land Surplus Limited from an independent third party for a consideration of HK\$335,982,000. This acquisition gave rise to acquisition of investment properties (see Note 16).

	HK\$'000
Consideration transferred	
Cash	335,982
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Investment properties	340,898
Property, plant and equipment	42
Trade and other receivables	2
Trade and other payables	(2,904)
Taxation payable	(1,091)
Deferred tax liabilities	(965)
	335,982
Cash outflow arising an acquisition	
Cash consideration paid	335,982

45. DISPOSAL OF SUBSIDIARIES

(I) Disposal of subsidiaries during the year ended 31 December 2014

In March 2014, SI Environment disposed of its 52% interest in a subsidiary, namely 昆明南方水務有限公司("Kunming Nanfang"), to a non-controlling shareholder of Kunming Nanfang for a consideration of RMB14,503,000 (equivalent to HK\$18,296,000). Kunming Nanfang is principally engaged in the business of sewage treatment and water supply in the PRC.

In April 2014, SI Development disposed of its 80% interest in a subsidiary, namely 重慶華新國際城市有限公司("Chongqing Huaxin"), to a non-controlling shareholder of Chongqing Huaxin for a consideration of RMB35,360,000 (equivalent to HK\$43,450,000). Chongqing Huaxin is principally engaged in the business of property development and sales in the PRC.

In August 2014, SI Environment disposed of its entire interest in a subsidiary, namely 武漢凱迪水務有限公司("Wuhan Kaidi"), to independent third parties for a consideration of RMB16,782,000 (equivalent to HK\$21,099,000). Wuhan Kaidi is principally engaged in the business of waste water treatment in the PRC.

In December 2014, SI Urban Development disposed of its 40% held associate, 天津市億嘉合置業有限公司("Tianjin Yijiahe") through disposal of certain of its wholly owned subsidiaries, to an independent third party at a consideration of RMB366,000,000 (equivalent to HK\$462,553,000).

(II) Disposal of subsidiaries during the year ended 31 December 2013

In December 2013, the Group disposed of its 100% equity interests in two subsidiaries, namely 湖州湖鴻投資發展有限公司("Huzhou Huhong") and 湖州湖濱投資發展有限公司("Huzhou Hubin"), to an independent third party (the "Counterparty") for considerations of RMB56,444,000 (equivalent to HK\$70,149,000) and RMB31,602,000 (equivalent to HK\$38,629,000), respectively, while the Counterparty has the obligations to procure Huzhou Huhong and Huzhou Hubin to repay the shareholders' loans of RMB84,847,000 (equivalent to HK\$106,059,000) and RMB103,184,000 (equivalent to HK\$128,980,000), respectively. Huzhou Huhong and Huzhou Hubin are principally engaged in the business of property development and sales in the PRC.

In December 2013, the Group disposed of its entire equity interest in 上海城開集團重慶德普置業有限公司("Chongqing Depu"), to an independent third party for a consideration of RMB134,750,000 (equivalent to HK\$172,535,000). Chongqing Depu is principally engaged in the business of property development and sales in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

45. DISPOSAL OF SUBSIDIARIES (Continued)

(III) Further details of the consideration, and assets and liabilities disposed of in respect of the disposed subsidiaries during the years ended 31 December 2013 and 2014 are set out below:

	2014					2013
	Chongqing Huaxin HK\$'000	Kunming Nanfang HK\$'000	Wuhan Kaidi HK\$'000	Tianjin Yijiahe HK\$'000	Total HK\$'000	Total HK\$'000
Consideration						
Cash received	43,450	18,296	21,099	462,553	545,398	108,778
Consideration receivable (Note i)	-	-	-	-	-	172,535
Total consideration	43,450	18,296	21,099	462,553	545,398	281,313
Analysis of assets and liabilities over which control was lost						
Property, plant and equipment	79	-	287	-	366	895
Other intangible assets	-	35,121	253	-	35,374	-
Interest in an associate	-	-	-	188,738	188,738	-
Deferred tax assets	-	-	840	-	840	-
Inventories	-	-	704	-	704	909,902
Trade and other receivables	50,415	-	67,351	861	118,627	26,351
Pledged bank deposits	-	-	4,190	-	4,190	-
Bank balances and cash	9,109	18,704	5,168	25	33,006	15,214
Trade and other payables	(5,794)	(3,296)	(69,070)	-	(78,160)	(366,316)
Tax payable	(1,490)	-	-	-	(1,490)	-
Bank and other borrowings	-	-	-	-	-	(274,232)
Net assets disposed of	52,319	50,529	9,723	189,624	302,195	311,814
Gain (loss) on disposal						
Consideration	43,450	18,296	21,099	462,553	545,398	281,313
Net assets disposed of	(52,319)	(50,529)	(9,723)	(189,624)	(302,195)	(311,814)
Non-controlling interests	10,464	27,482	-	-	37,946	136,755
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	1,022	(55)	17	-	984	3,699
	2,617	(4,806)	11,393	272,929	282,133	109,953
Net cash inflow (outflow) arising on disposal						
Cash consideration received	43,450	18,296	21,099	462,553	545,398	108,778
Less: bank balances and cash disposed of	(9,109)	(18,704)	(5,168)	(25)	(33,006)	(15,214)
	34,341	(408)	15,931	462,528	512,392	93,564

45. DISPOSAL OF SUBSIDIARIES (Continued)

(III) (Continued)

Notes:

- (i) The consideration receivable was unsecured, interest bearing at a market rate and will be settled in full in March 2014. The amount was included in the Group's other receivables as at 31 December 2013 as detailed in Note 31 and received in full during the year ended 31 December 2014.
- (ii) The subsidiaries disposed of during both years did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposals.

(IV) Disposal of assets through disposal of subsidiaries during the year ended 31 December 2013

In June 2013, SI Urban Development disposed of an exclusive right for a specific piece of land held by a subsidiary, Shanghai Urban Development Group Longcheng Properties Co., Ltd. ("SUD Longcheng"), (the "Specific Land") through disposal of its wholly owned subsidiaries, Earn Harvest Limited and Power Tact Investment Limited, which holds 25% equity interest in SUD Longcheng, to an independent third party at a consideration of RMB1,174,500,000 (equivalent to HK\$1,463,369,000) (the "Purchase Consideration"). In addition to the Purchase Consideration, the purchaser agreed that it would (i) take up 25% of SUD Longcheng's net liabilities at the date of completion and (ii) not be entitled to exert influence or share of any appropriations of SUD Longcheng generated from operations or be obliged to bear any additional obligations of SUD Longcheng after the completion, other than its exclusive right for the Specific Land. The disposal was completed on 27 June 2013. At the date of completion, the net liabilities shared by the purchaser was RMB217,022,000 (equivalent to HK\$270,399,000) which in aggregate with the Purchase Consideration amounted to RMB1,391,522,000 (equivalent to HK\$1,733,768,000).

The net assets of subsidiaries and assets (including the Specific Land) at the date of disposal were as follows:

	HK\$'000
Consideration	
Cash received	726,866
Deferred cash consideration (Note)	1,006,902
Total consideration	1,733,768
Analysis of assets and liabilities over which control was lost:	
Specific Land included in inventories of the Group	914,715
Bank balances and cash	116
Other payables	(188)
	914,643
Gain on disposal	819,125
Net cash inflow arising on disposal	
Cash consideration received	726,866
Less: bank balances and cash disposed of	(116)
	726,750

Note: The deferred consideration was fully settled in cash by the purchaser before June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

46. OPERATING LEASES

(I) The Group and the Company as lessees

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

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Within one year	98,253	95,012	5,398	10,447
In the second to fifth year inclusive	66,018	131,827	374	5,160
After five years	54,291	106,825	–	–
	218,562	333,664	5,772	15,607

Notes:

- (i) Operating lease payments represent rental payable by the Group and the Company for certain office and factory properties. Leases are negotiated for an average term of 20 years and rentals are fixed for a lease term of 1 to 5 years.
- (ii) Included in the above are operating lease commitments for land and buildings payable by the Group and the Company to the ultimate holding company and certain fellow subsidiaries as follows:

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Within one year	37,040	44,794	5,398	10,447
In the second to fifth year inclusive	374	69,889	374	5,160
	37,414	114,683	5,772	15,607

(II) The Group and the Company as lessors

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties and land and buildings:

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Within one year	542,807	426,694
In the second to fifth year inclusive	1,912,407	1,181,653
After five years	1,434,677	1,330,355
	3,889,891	2,938,702

Notes:

- (i) Included in the above are operating lease commitments for investment properties of approximately HK\$15.3 million (2013: HK\$14.8 million) receivable by the Group from certain fellow subsidiaries within one year.
- (ii) The Company had no significant operating lease arrangements as lessor at the end of the reporting period.

47. CAPITAL COMMITMENTS

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of a PRC subsidiary	–	221,538
– acquisition of property, plant and equipment	27,329	36,115
– additions in construction in progress	152,413	600,192
– additions in properties under development held for sale	6,758,911	7,358,408
– investment in an associate	59,985	–
– investment in a joint venture	374,906	678,617
	7,373,544	8,894,870
Capital expenditure authorised but not contracted for in respect of additions in construction in progress	101,768	19,206

In addition to the above, the Group's share of capital commitments of a joint venture is as follows:

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– additions in construction in progress	–	153,672
– investment in a joint venture	73,107	85,147
	73,107	238,819

The Company had no significant capital commitment at the end of the reporting period.

48. CONTINGENT LIABILITIES

(a) Guarantees:

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Guarantees given to banks in respect of banking facilities utilised by		
– property buyers	1,669,786	3,137,451
– an entity controlled by Xuhui SASAC	269,933	340,589
– joint ventures	837,169	212,228
	2,776,888	3,690,268

As at 31 December 2014, the Company granted financial guarantees to the extent of approximately HK\$10,371 million (2013: HK\$8,598 million) to banks in respect of banking facilities granted to its subsidiaries, out of which approximately HK\$9,946 million (2013: HK\$8,350 million) were utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

48. CONTINGENT LIABILITIES (Continued)

- (b) The Group is a defendant to a claim by a third party regarding non-payment of certain outstanding consideration which has been accrued but unpaid by the Group. The third party claim also includes liquidated damage which amounted to approximately HK\$273 million up to 25 July 2012 and which is to be accumulated at a daily rate of HK\$160,000 thereafter until settlement. The directors of the Company, after taking advice from the management of SI Urban Development which has consulted its legal advisers, is of the opinion that it has good ground for withholding the payment of the outstanding consideration and that it is pre-mature to estimate the outcome of the third party claim. Accordingly, no provision for the liquidated damage has been made.

49. PLEDGE OF ASSETS

The following assets were pledged by the Group to banks to secure banking facilities granted by these banks to the Group:

- (i) investment properties with an aggregate carrying value of HK\$12,456,886,000 (2013: HK\$5,298,903,000);
- (ii) leasehold land and buildings with an aggregate carrying value of HK\$1,664,858,000 (2013: HK\$940,841,000);
- (iii) plant and machineries with an aggregate carrying value of HK\$30,956,000 (2013: HK\$14,837,000);
- (iv) one (2013: one) toll road operating right of HK\$3,095,721,000 (2013: HK\$3,335,773,000);
- (v) receivables under service concession arrangements with an aggregate carrying value of HK\$2,553,891,000 (2013: HK\$2,294,931,000);
- (vi) properties under development held for sale with an aggregate carrying value of HK\$8,443,487,000 (2013: HK\$10,630,517,000);
- (vii) properties held for sale with an aggregate carrying value of HK\$129,768,000 (2013: HK\$132,958,000);
- (viii) trade receivables with an aggregate carrying value of HK\$192,098,000 (2013: HK\$240,273,000); and
- (ix) bank deposits with an aggregate carrying value of HK\$742,973,000 (2013: HK\$512,231,000).

50. RETIREMENT BENEFITS SCHEMES

The Company and its subsidiaries in Hong Kong operate a defined contribution retirement benefits scheme for their qualifying employees pursuant to the Occupational Retirement Schemes Ordinance. To comply with the Mandatory Provident Fund Schemes Ordinance, a Mandatory Provident Fund Scheme was also established. The assets of both schemes are held separately in funds which are under the control of independent trustees. The retirement benefits schemes contributions charged to the consolidated statement of profit or loss represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the end of the reporting period, no forfeited contributions were available to reduce the contribution payable in future years.

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected persons

- (a) During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions with the connected parties during the year, and significant balances with them at the end of the reporting period, are as follows:

Connected persons	Nature of transactions and balances	THE GROUP	
		2014 HK\$'000	2013 HK\$'000
Transactions			
<i>Ultimate holding company:</i>			
SIIC	Rentals paid by the Group on land and buildings (Note b(i))	1,888	1,892
<i>Fellow subsidiaries:</i>			
Shanghai SIIC Property Management Co., Ltd. ("Shanghai SIIC PM")	Management fee paid by the Group on land and buildings (Note b(ii))	619	615
International Hope Limited ("International Hope")	Rentals and management fee paid by the Group on land and buildings (Note b(iii))	11,852	11,370
Nanyang Enterprises Properties Limited ("Nanyang Properties")	Rentals paid by the Group on land and buildings (Note b(iv))	26,640	26,640
SIIC Estate Co., Ltd. ("SIIC Estate")	Rentals paid by the Group on land and buildings (Note b(v))	26	26
SIIC Shanghai (Holdings) Company Limited ("SIIC Shanghai")	Rentals and management fee paid by the Group on land and buildings (Note b(vi))	6,532	6,548
	Loans provided to the Group (Note c)	695,655	1,294,332
	Interest paid by the Group (Note c)	49,126	94,659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(a) (Continued)

Connected persons	Nature of transactions and balances	THE GROUP	
		2014 HK\$'000	2013 HK\$'000
Transactions (Continued)			
<i>Joint venture:</i>			
Shanghai Galaxy	Loan provided by the Group (Note d)	249,938	-
	Investment income received by the Group (Note e)	20,123	40,368
	Management fee paid by the Group (Note e)	-	14,482
	Capital injection by the Group (Note l)	-	252,302
Balances			
Non-controlling shareholders of subsidiary:			
Xuhui SASAC and entities controlled by Xuhui SASAC	Non-trade payables by the Group (Note f)	386,268	310,088

(b) The Group and certain of its connected parties had entered into tenancy and licence agreements as follows:

- (i) On 15 July 2011, S.I. Infrastructure Holdings Limited ("S.I. Infrastructure"), a wholly owned subsidiary of the Company, entered into a tenancy agreement with SIIC for leasing of SIIC's premises situated in the PRC. The contract expired on 30 April 2013. In May 2013, 上海滬寧高速公路(上海段)發展有限公司 (Shanghai Hu-Ning Expressway (Shanghai Section) Company Limited) ("Shanghai Hu-Ning Expressway"), a wholly owned subsidiary of the Company, enter into a tenancy agreement with SIIC for leasing such premises for a term of two years commencing on 1 May 2013.
- (ii) On 13 July 2011, a property management services contract was entered into between S.I. Infrastructure and Shanghai SIIC PM. Pursuant to which, Shanghai SIIC PM would provide property management services to S.I. Infrastructure in respect of the leased premises above for a term of one year commencing on 11 May 2011. The contract was renewed in May 2012 and May 2013 to further extend the term of service for one year.

In May 2014, the contract expired and a new property management services contract was entered into between Shanghai Hu-Ning Expressway for the provision of property management services by SIIC PM for a term of 1 year commencing on 11 May 2014.

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(b) (Continued)

- (iii) On 30 August 2011 and 1 July 2011, the Company and Nanyang Brothers Tobacco Company, Limited ("Nanyang Brothers"), a wholly owned subsidiary of the Company, entered into a tenancy agreement and two licence agreements with International Hope for leasing of International Hope's premises and car parking spaces in Hong Kong for terms of two and three years, respectively, commencing on 1 July 2011. The tenancy agreement between the Company and International Hope was renewed in October 2013 to extend the term for two years commencing on 1 July 2013.

The licence agreements between the Company and International Hope expired during the year and were renewed in June 2014 and November 2014 to extend the term for three years commencing on 1 July 2014.

- (iv) On 8 May 1997, Nanyang Brothers entered into a tenancy agreement with Nanyang Properties for leasing Nanyang Properties' premises situated in Hong Kong for a term of twenty years commencing on 1 May 1997, with an option to renew for a further term of five years.
- (v) On 30 June 2009, the Company entered into a licence agreement with SIIC Estate for leasing of SIIC Estate's premises situated in Hong Kong for a term of three years commencing on 1 January 2009. The agreement was renewed on 27 January 2012 to further extend the term of licence for three years commencing on 1 January 2012.
- (vi) On 29 April 2011, SIIC Management (Shanghai) Co., Ltd. ("SIIC Management"), a wholly owned subsidiary of the Company, entered into a tenancy agreement with SIIC Shanghai for leasing of SIIC Shanghai's premises situated in the PRC for a term of two years commencing on 1 May 2011. On 6 May 2013, the contract was renewed to further extend the term for two years commencing on 1 May 2013.

The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent was equivalent or approximate to the open market rentals as certified by an independent firm of professional property valuers when the tenancy agreements were entered into.

- (c) On 30 April 2011 and 30 April 2012, Shanghai Feng Mao Properties Co., Ltd. ("Feng Mao Shanghai") and Feng Qi Shanghai entered into loan agreements and new loan agreements with SIIC Shanghai respectively. Pursuant to which, SIIC Shanghai has granted loans of RMB552,768,000 (equivalent to HK\$679,577,000) to Feng Mao Shanghai (the "Feng Mao Shanghai Loan") and RMB496,878,000 (equivalent to HK\$610,865,000) to Feng Qi Shanghai (the "Feng Qi Shanghai Loan"). Such loans were for a term of one year from 1 May 2011 to 30 April 2012 and further extended to 30 April 2013.

On 30 April 2013, the Feng Mao Shanghai Loan of RMB552,768,000 (equivalent to HK\$707,770,000) and the Feng Qi Shanghai Loan of RMB473,249,000 (equivalent to HK\$605,953,000) were extended for a further term of one year from 1 May 2013 to 30 April 2014.

On 30 April 2014, the Feng Mao Shanghai Loan of RMB552,768,000 (equivalent to HK\$690,787,000) was extended for a further term of one year from 1 May 2014 to 30 April 2015. The Shanghai Feng Mao Loan together with interest was settled in November 2014.

Upon completion of disposal of Feng Qi Group in January 2014 as set out in Note 34(III), Feng Qi Shanghai was no longer a subsidiary of the Company and the Feng Qi Shanghai Loan ceased to be a continuing connected transaction of the Company since January 2014.

The Feng Mao Shanghai Loan carried interest at the prevailing interest rate for the loan charged by the bank payable quarterly and its terms were determined and agreed by the corresponding party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

- (d) In September 2014, Shanghai Hu-Ning Expressway, entered into a shareholder's loan agreement with Shanghai Galaxy. Pursuant to which, Shanghai Hu-Ning Expressway has agreed to lend, and Shanghai Galaxy has agreed to borrow, a shareholder's loan in an amount of RMB200,000,000 (equivalent to approximately HK\$249,938,000). Further details of this transaction are set out in the Company's announcement dated 4 September 2014.
- (e) On 23 May 2011, Shanghai Hu-Ning Expressway, entered into an asset management entrustment agreement with Shanghai Galaxy, a wholly owned subsidiary of SIIC. The amount of funds entrusted to Shanghai Galaxy during the year for the provision of assets management services amounted to RMB400 million (equivalent to approximately HK\$503 million) (2013: RMB400 million (equivalent to approximately HK\$505 million)), which was fully settled by the end of the reporting period.

Regarding this entrusted fund, Shanghai Galaxy has guaranteed a return to Shanghai Hu-Ning Expressway amounting to 8% of the fund entrusted. During the year ended 31 December 2014, the investment income from this guaranteed return amounted to HK\$20,123,000 (2013: HK\$40,368,000), and the management fee paid in relation to this entrustment was Nil (2013: HK\$14,482,000).

- (f) The amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC are unsecured. An amount of approximately HK\$82,479,000 (2013: nil) included in the balances as at 31 December 2014 represents loan advanced from an entity controlled by Xuhui SASAC through an entrusted loan agreement administrated by a bank, which carries fixed interest at 12.5% per annum (2013: nil) per annum and are repayable within one year. The remaining balances are unsecured, non-interest bearing and repayable on demand.
- (g) Pursuant to an agreement dated 26 December 2002 and the supplemental agreements dated 15 December 2009 and 6 December 2012 entered into between Xuhui State-owned Assets Management Co. Ltd. ("State-owned Management Company") and Shanghai Urban Development (the "Cross Guarantee Agreement"), the parties thereto agree to guarantee each other's obligations in respect of certain loans/facilities obtained by them from time to time from banks or credit unions to the extent of not more than RMB1,200 million, and the limit has been reduced to RMB400 million from 1 January 2013 onwards. In respect of those guarantees which have already been entered into by State-owned Management Company and Shanghai Urban Development pursuant to the Cross Guarantee Agreement, they will continue until the underlying loans/facilities mature/expire and all amounts owed are fully repaid.

On 9 February 2015, the parties entered into a new supplemental agreement and the limit has been reduced to RMB332 million from 1 January 2015 onwards.

As at 31 December 2014, the total amount of loans/facilities obtained by State-owned Management Company in respect of which guarantees were provided by Shanghai Urban Development amounted to approximately RMB216 million (equivalent to approximately HK\$270 million) (2013: RMB266 million (equivalent to approximately HK\$341 million)).

The provision of the aforesaid guarantees by Shanghai Urban Development constitutes non-exempt continuing connected transactions for the Company. Upon any variation of the Cross Guarantee Agreement, the Company shall then have the obligation to comply in full all applicable reporting, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

- (h) Details of operating lease commitments with connected parties are set out in Note 46.
- (i) In June 2014, the Group acquired 75% and 25% interests in 永發（上海）模塑科技發展有限公司 (“Wing Fat Molded”) (previously named as 上海勝利醫療器械有限公司) from a fellow subsidiary and an independent third party for considerations of RMB8,506,000 (equivalent to HK\$10,609,000) and RMB2,835,000 (equivalent to HK\$3,536,000), respectively. Wing Fat Molded is principally engaged in the business of production of medical equipment and paper packaging products. As Wing Fat Molded is an entity under common control by SIIC, the Group accounted for this transaction using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. Further details of these transactions are set out in the Company’s announcement dated 4 June 2014.

The shareholder’s loan granted to Wing Fat Molded from the fellow subsidiary was settled in July 2014. The outstanding amount of the shareholder’s loan interest prior to repayment was RMB253,000 (equivalent to HK\$318,000).

- (j) In December 2014, the shareholders of General Water (comprising S.I. Infrastructure and China Energy Conservation and Environmental Protection Group) entered into a capital injection agreement. Pursuant to which, S.I. Infrastructure would make capital injection of RMB300,000,000 (equivalent to approximately HK\$374,906,000) to the registered capital of General Water. After the above capital increase, the percentage shareholding of S.I. Infrastructure remained unchanged at 45%. Further details of this transaction are set out in the Company’s announcement dated 17 December 2014.
- (k) Details of amounts due to certain fellow subsidiaries are set out in Note 35.
- (l) The shareholders of Shanghai Galaxy (comprising SIIC Shanghai and Shanghai Hu-Ning Expressway) have each made an additional capital contribution of RMB100,000,000 (equivalent to HK\$124,595,000) and a further capital contribution of RMB100,000,000 (equivalent to HK\$127,707,000) to the registered capital of Shanghai Galaxy on 21 May 2013 and 13 November 2013 respectively. Accordingly, Shanghai Hu-Ning Expressway has made capital contribution in the aggregate of RMB200,000,000 during the year ended 31 December 2013. After the above capital increase, the percentage shareholding of Shanghai Hu-Ning Expressway remained unchanged at 50%. Further details of these transactions are set out in the Company’s announcements dated 13 November 2013.
- (m) Sichuan SIIC Environment Investment Development Co., Ltd. (“Sichuan SIIC”) was established in the PRC on 6 November 2013 as an associate of the Group and a joint venture of Shanghai Galaxy and principally engaged in the water-related business in the PRC. The shareholders of Sichuan SIIC comprise SIIC Environment Holdings (Wuhan) Co., Ltd. (“SIIC Wuhan”), a non-wholly owned subsidiary of the Company, an independent third party and Shanghai Galaxy. Sichuan SIIC is owned by them as to 30%, 40% and 30%, respectively. The registered capital of Sichuan SIIC is RMB200,000,000, to be paid up in cash within five years from its establishment, in the same proportions as above. As such, Shanghai Galaxy’s and SIIC Wuhan’s total capital contribution would amount to RMB60,000,000 and RMB60,000,000, respectively. Details of these are set out in the announcements of the Company dated 21 May 2013 and 13 November 2013.
- (n) At 31 December 2014, a bank borrowing amounting to approximately RMB500 million (equivalent to approximately HK\$625 million) (2013: RMB317 million (equivalent to approximately HK\$406 million)) was secured by properties owned by the Group and a fellow subsidiary of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(II) Related parties, other than connected persons

In addition to the transactions set out in Note 51(I) above, the significant transactions with other related parties during the year, and significant balances with them at the end of the reporting period, are as follows:

Related parties	Nature of transactions and balances	THE GROUP	
		2014 HK\$'000	2013 HK\$'000
<i>Joint ventures:</i>			
General Water	Interest income received by the Group	9,217	7,454
Shanghai Galaxy	Interest income received by the Group	4,066	–
<i>Associates:</i>			
泉州市上實投資發展有限公司	Interest income received by the Group	88,998	99,331
上海城開地產經紀有限公司 (Shanghai Urban Development Real Estate Agency Co., Ltd.)	Property agency fees paid by the Group	55,062	58,591
	Trade payables by the Group	71,978	94,264

Details of loan to a joint venture, General Water, and amounts due from associates are set out in Notes 22 and 31, respectively.

The Company's balances with other related parties are set out in the statement of financial position of the Company and in Note 24.

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(III) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2014 HK\$'000	2013 HK\$'000
Short-term benefits	30,087	31,385
Share-based payments	86	1,585
	30,173	32,970

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

52. MATERIAL TRANSACTIONS AND BALANCES WITH GOVERNMENT RELATED ENTITIES

The Group itself is part of a larger group of companies under SIIC, which is controlled by the PRC government. The directors consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed in Note 51, the Group also conducts business with other government related entities in the ordinary course of business. In the opinion of the directors of the Company, these transactions are considered as individually and collectively insignificant to the operation of the Group. The directors consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

53. GOVERNMENT GRANTS

During the year ended 31 December 2014, government grants of approximately HK\$48.5 million (2013: HK\$43.5 million) were received from local government as compensation for the decrease of toll fee income on a discretionary basis. Business and other taxes refund from local tax authorities of approximately HK\$88.8 million (2013: HK\$86.6 million) were also received in the current year. Besides, amount of approximately HK\$1.5 million (2013: HK\$4.1million) was received as incentives for investments in certain provinces in the PRC. These amounts have been included in other income.

During the current year, the Group received government subsidies of approximately RMB50 million (equivalent to approximately HK\$62 million) (2013: RMB54 million (equivalent to approximately HK\$68 million)) for its operating concession arrangements (2013: relocation of a water plant) in the PRC. The amount has been deducted from the carrying amount of operating concessions (included in other intangible assets) and will be transferred to income in the form of reduced amortisation charges over the remaining useful lives of operating concessions.

During the year ended 31 December 2013, the Group received a government subsidy of RMB20 million (equivalent to approximately HK\$25 million) to subsidise the capital expenditure incurred by the Group related to a toll road in the PRC. The amount has been deducted from the carrying amount of the related toll road operating right and will be transferred to income in the form of reduced amortisation charges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

54. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries		Principal activities
			2014	2013	
SI Development (Note i)	The PRC	A shares -RMB1,083,370,873	63.65%	63.65%	Property development and investment
SI Urban Development (Note ii)	Bermuda/ The PRC	Ordinary shares - HK\$192,461,000	69.95%	69.95%	Property development and investment
Shanghai Hu-Ning Expressway (Note iii)	The PRC	RMB3,000,000,000	100%	100%	Holding of the right to operate a toll road
上海路橋發展有限公司 (Shanghai Luqiao Development Co., Ltd.) (Note iii)	The PRC	RMB1,600,000,000	100%	100%	Holding of the right to operate a toll road
上海申渝公路建設發展有限公司 (Shanghai Shen-Yu Development Co., Ltd.) (Note iii)	The PRC	RMB1,200,000,000	100%	100%	Holding of the right to operate a toll road
SI Environment (Note iv)	The Republic of Singapore/ The PRC	Ordinary shares -RMB2,511,499,031 (2013: RMB1,153,128,607)	41.85% (Note 5)	46.72% (Note 5)	Sewage treatment and water supply
S.I. Infrastructure	The British Virgin Islands/ Hong Kong	Ordinary share -US\$1	100%	100%	Investment holding
SIHL Treasury Limited ("SIHL Treasury")	Hong Kong	Ordinary shares -HK\$2	100%	100%	Investment
Nanyang Tobacco (Marketing) Company, Limited	The British Virgin Islands/PRC and Macau	Ordinary shares - US\$1 - HK\$100,000,000	100%	100%	Sale and marketing of cigarettes and raw materials sourcing
Nanyang Brothers	Hong Kong	Ordinary shares - HK\$2	100%	100%	Manufacture and sale of cigarettes
		Non-voting deferred shares -HK\$8,000,000	-	-	
The Wing Fat Printing Company, Limited	Hong Kong	Ordinary shares -HK\$83,030,000 (2013: HK\$2,000,000)	93.72%	93.47%	Manufacture and sale of packaging materials and printed products
Tong Jie Limited	The British Virgin Islands/ Hong Kong	Ordinary share - US\$1	100%	100%	Issue of convertible bonds

54. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

- (i) This company is listed on the A Shares Market of the Shanghai Stock Exchange.
- (ii) This company is listed on the Main Board of the Stock Exchange.
- (iii) These companies were established in the PRC as wholly foreign owned enterprises.
- (iv) This company is listed on the Mainboard of the SGX-ST.
- (v) Except for S.I. Infrastructure and SIHL Treasury, all the above subsidiaries are indirectly held by the Company.
- (vi) None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.
- (vii) Other than as disclosed in Notes 38 and 39, none of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.
- (viii) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. These subsidiaries are mainly dormant companies or subsidiaries principally engaged in investment holding.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
SI Development	The PRC	36.35%	36.35%	427,457	273,110	2,148,199	2,562,337
SI Urban Development	Bermuda/The PRC	30.05%	30.05%	95,779	59,589	3,219,370	3,209,513
Shanghai Urban Development (Holdings) Co., Ltd. ("SUD"), a subsidiary of SI Urban Development	The PRC	41%	41%	402,656	245,067	7,122,110	6,906,189
SI Environment	The Republic of Singapore/ The PRC	58.15% (Note 5)	53.28%	173,974	85,352	2,933,051	2,145,306
Individually immaterial subsidiaries with non-controlling interests						2,462,073	2,610,445
						17,884,803	17,433,790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

54. PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	SI Development (Consolidated)		SI Urban Development (Consolidated, including SUD)		SUD (Consolidated)		SI Environment (Consolidated)	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets	20,246,096	23,563,389	41,570,210	44,559,465	26,794,435	28,764,421	2,467,415	3,275,624
Non-current assets	4,752,206	4,452,961	16,615,422	9,338,227	5,087,114	4,350,855	8,092,444	5,630,013
Current liabilities	(9,935,659)	(13,792,561)	(23,815,980)	(23,255,054)	(10,656,773)	(11,975,221)	(2,808,819)	(2,744,014)
Non-current liabilities	(7,395,858)	(4,372,501)	(13,983,069)	(10,794,654)	(6,884,378)	(7,272,850)	(2,186,586)	(1,712,381)
Equity attributable to owners of the subsidiary	4,534,027	5,861,366	9,537,170	9,518,286	7,218,288	6,906,189	1,868,089	1,587,498
Non-controlling interests	2,148,199	2,562,337	3,219,370	3,209,513	7,122,110	6,961,016	2,963,633	2,145,306

54. PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	SI Development (Consolidated)		SI Urban Development (Consolidated, including SUD)		SUD (Consolidated)		SI Environment (Consolidated)	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	4,554,254	4,600,509	7,773,636	9,773,547	5,582,387	6,916,593	1,610,142	1,525,362
Profit for the year	1,150,114	916,206	737,006	359,430	827,222	539,509	407,137	255,855
Other comprehensive income (expense) for the year	176,775	195,597	(441,183)	542,588	(362,496)	951,435	(171,101)	12,318
Total comprehensive income for the year	1,326,889	1,111,803	295,823	902,018	464,726	1,490,944	236,036	268,173
Profit for the year attributable to the owners of the Company	705,485	557,955	222,444	137,595	424,566	294,442	143,451	89,178
Profit for the year attributable to the non-controlling interests	427,457	273,110	95,779	59,589	402,656	245,067	173,974	85,352
Total comprehensive income for the year attributable to the owners of the Company	817,475	682,862	48,935	356,753	210,693	537,490	66,732	94,933
Total comprehensive income for the year attributable to the non-controlling interests	492,242	343,800	21,241	153,737	254,033	594,787	79,592	91,915
Dividends paid to non-controlling interests	24,607	29,440	-	-	-	19,869	-	-
Net cash (outflow) inflow from operating activities	(2,416,465)	2,930,801	(3,101,107)	885,551	(1,020,117)	2,359,267	356,242	203,237
Net cash (outflow) inflow from investing activities	(1,983,665)	(4,315)	(1,702,430)	1,710,925	319,680	802,375	(1,666,569)	(398,370)
Net cash inflow (outflow) from financing activities	739,163	(947,968)	5,440,346	(2,148,419)	413,868	(3,219,346)	385,276	1,842,216
Net cash (outflow) inflow	(3,660,967)	1,978,518	636,809	448,057	(286,569)	(57,704)	(925,051)	1,647,083

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

55. PRINCIPAL JOINT VENTURES

Particulars of the Group's principal joint ventures at 31 December 2014 and 2013 are as follows:

Name of joint venture	Place of incorporation or establishment/ operations	Percentage of issued share/ registered capital attributable to the Group		Principal activities
		2014	2013	
Shanghai Galaxy	The PRC	50%	50%	Operation of photovoltaic related business in the PRC and provision of asset management services
General Water	The PRC	45%	47.5%	Joint investment and operation of water-related and environment protection business in the PRC

Notes:

- (i) The above joint ventures are indirectly held by the Company and the Group has members in the board of directors of the respective entities.
- (ii) The above table lists the joint ventures of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

56. PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31 December 2014 and 2013, which are all established in the PRC, are as follows:

Name of associate	Form of entity	Percentage of registered capital attributable to the Group		Principal activities
		2014	2013	
Tianjin Yijiahe	Limited company	–	28.0% (Note i)	Property development
Longjiang Environmental Protection	Limited company	27.4% (Note ii)	16.8% (Note ii)	Operating of water related and environment protection business in the PRC
Shanghai Shentian	Sino-foreign joint venture	14.5% (Note iii)	14.5% (Note iii)	Property development

56. PRINCIPAL ASSOCIATES (Continued)

Notes:

- (i) This was a 40% owned associate of SI Urban Development, which the Group owns as to its 69.95% equity interest. The associate has been disposed of during the current year as set out in Note 45(l).
- (ii) This is a 25.3% owned associate of SI Environment, which the Group owns to its 41.85% equity interest as at 31 December 2014. In addition to the Group directly held its 16.8% equity interest, the Group totally owns 27.4% equity interest. As at 31 December 2013, the Group directly held its 16.8% equity interest and it was classified as an available-for-sale investment.
- (iii) This is a 35% owned associate of SUD, which the Group indirectly owns its 59% equity interest through SI Urban Development, a 69.95% owned subsidiary.
- (iv) The above associates are indirectly held by the Company.
- (v) The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

57. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker (i.e. the board of directors of the Company) for the purposes of resource allocation and performance assessment, are as follows:

- | | |
|---------------------------|--------------------------------------------------------------------------------|
| Infrastructure facilities | - investment in toll road projects and water-related business |
| Real estate | - property development and investment and hotel operation |
| Consumer products | - manufacture and sale of cigarettes, packaging materials and printed products |

Infrastructure facilities, real estate and consumer products also represent the Group's reportable segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

57. SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 31 December 2014

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
REVENUE					
Segment revenue – external sales	3,680,795	12,327,889	3,958,382	–	19,967,066
Segment operating profit	1,768,346	3,383,548	1,308,324	(217,627)	6,242,591
Finance costs	(222,362)	(1,088,620)	(4,127)	(44,086)	(1,359,195)
Share of results of joint ventures	165,508	–	–	–	165,508
Share of results of associates	16,059	(3,753)	21,640	–	33,946
Gain on disposal of the Feng Qi Group	–	1,716,165	–	–	1,716,165
Net gain on disposal/deemed partial disposal of interests in other subsidiaries, joint ventures and associates	22,343	275,545	–	4,423	302,311
Impairment loss on available-for-sale investments	–	(318,652)	–	(23,775)	(342,427)
Segment profit (loss) before taxation	1,749,894	3,964,233	1,325,837	(281,065)	6,758,899
Income tax expense	(346,694)	(1,813,891)	(229,405)	(76,912)	(2,466,902)
Segment profit (loss) after taxation	1,403,200	2,150,342	1,096,432	(357,977)	4,291,997
Less: segment profit attributable to non-controlling interests	(263,686)	(941,742)	(17,566)	–	(1,222,994)
Segment profit (loss) after taxation attributable to owners of the Company	1,139,514	1,208,600	1,078,866	(357,977)	3,069,003

57. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2013

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
REVENUE					
Segment revenue – external sales	3,550,386	14,374,056	3,643,282	-	21,567,724
Segment operating profit	1,598,994	2,161,774	1,077,114	74,521	4,912,403
Finance costs	(192,220)	(965,952)	(2,826)	(38,559)	(1,199,557)
Share of results of joint ventures	79,730	-	-	-	79,730
Share of results of associates	569	(9,804)	32,023	-	22,788
Gain on disposal of assets through disposal of subsidiaries	-	819,125	-	-	819,125
Gain on disposal of interests in other subsidiaries, joint ventures and associates	-	109,953	103,340	1,823	215,116
Impairment loss on available-for-sale investments	-	-	-	(15,852)	(15,852)
Segment profit before taxation	1,487,073	2,115,096	1,209,651	21,933	4,833,753
Income tax expense	(305,329)	(815,997)	(194,505)	(73,702)	(1,389,533)
Segment profit (loss) after taxation	1,181,744	1,299,099	1,015,146	(51,769)	3,444,220
Less: segment profit attributable to non-controlling interests	(166,677)	(561,443)	(13,682)	-	(741,802)
Segment profit (loss) after taxation attributable to owners of the Company	1,015,067	737,656	1,001,464	(51,769)	2,702,418

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

57. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 31 December 2014

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment assets	27,781,199	83,243,780	6,682,930	9,562,649	127,270,558
Segment liabilities	6,988,154	51,338,928	840,348	14,700,309	73,867,739

At 31 December 2013

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment assets	27,268,166	82,283,271	5,894,067	6,964,521	122,410,025
Segment liabilities	6,302,471	50,049,419	780,932	12,897,389	70,030,211

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than corporate bank balances and cash, certain investments, certain interests in joint ventures and some other unallocated assets; and
- all liabilities are allocated to operating segments other than corporate tax liabilities, corporate bank borrowings, convertible bonds and some other unallocated liabilities.

Other segment information

2014

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<i>Amounts included in the measurement of segment profit or loss or segment assets:</i>					
Additions to non-current assets (Note)	793,018	6,610,097	249,849	236	7,653,200
Depreciation and amortisation	850,029	141,835	171,272	2,245	1,165,381
Impairment loss on bad and doubtful debts	5,582	112	7,681	-	13,375
Impairment loss on properties held for sale	-	160,144	-	-	160,144
Interests in joint ventures	2,910,629	65,718	-	374,906	3,351,253
Interests in associates	860,301	1,681,608	94,287	-	2,636,196

57. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

2013

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<i>Amounts included in the measurement of segment profit or loss or segment assets:</i>					
Additions to non-current assets (Note)	473,034	166,916	576,197	2,562	1,218,709
Depreciation and amortisation	801,315	110,313	141,771	2,533	1,055,932
Impairment loss on bad and doubtful debts	5,108	29	12,393	-	17,530
Impairment loss on properties held for sale	-	36,374	-	-	36,374
Interests in joint ventures	2,179,302	65,718	-	384,123	2,629,143
Interests in associates	18,609	1,877,710	150,724	-	2,047,043

Note: Non-current assets excluded those classified as held for sale and excluded financial instruments, goodwill and deferred tax assets.

Geographical information

The Group's operations are mainly located in Hong Kong (place of domicile) and the PRC.

The Group's revenue from external customers by geographical location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers	
	2014 HK\$'000	2013 HK\$'000
PRC	17,661,082	19,460,443
Asia areas, other than Hong Kong and the PRC	1,202,918	1,126,838
Hong Kong (place of domicile)	752,550	674,362
Other areas	350,516	306,081
	19,967,066	21,567,724

	Non-current assets (Note)	
	2014 HK\$'000	2013 HK\$'000
PRC	34,159,379	27,317,235
Hong Kong (place of domicile)	1,529,191	1,515,624
	35,688,570	28,832,859

Note: Non-current assets excluded those classified as held for sale, interests in joint ventures and associates, financial instruments and deferred tax assets.

Information about major customers

No individual customer contributed to over 10% of the total revenue of the Group for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

58. CAPITAL RISK MANAGEMENT

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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in Notes 37, 38 and 39, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As 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 balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

59. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Financial assets				
Fair value through profit or loss				
Held for trading	159,858	170,959	–	–
Designated as at FVTPL	267,858	299,455	51,512	157,457
Loans and receivables (including cash and cash equivalents)	35,652,846	36,879,108	37,046,473	36,613,643
Available-for-sale investments	1,067,664	1,199,037	59,270	59,270
Financial liabilities				
Amortised cost	53,822,134	44,406,028	9,501,867	10,234,009

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

The Group's major financial instruments include available-for-sale investments, financial assets at FVTPL, trade and other receivables, receivables under service concession arrangements, consideration receivables, restricted bank deposits, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables, bank and other borrowings, convertible bonds and senior notes. The Company's major financial instruments include available-for-sale investments, financial asset at FVTPL, other receivables, amounts due from subsidiaries, short-term bank deposits, bank balances and cash, other payables, amounts due to subsidiaries and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC and Hong Kong and the exposure in exchange rate risks mainly arises from fluctuations in United States dollar, Hong Kong dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As Renminbi is under managed floating system, after reviewing the Group's exposure for the time being, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's monetary assets and monetary liabilities at the reporting date that are denominated in currencies other than the functional currency of the group entities ("foreign currency") are as follows:

	THE GROUP				THE COMPANY			
	Assets		Liabilities		Assets		Liabilities	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Renminbi (against Hong Kong dollar)	5,078,080	2,421,322	1,251,748	1,285,734	3,446,255	1,714,985	1,249,271	1,280,410
United States dollar (against Hong Kong dollar and Renminbi)	2,012,840	341,754	6,612,495	3,566,436	574	131,398	-	-
Hong Kong dollar (against Renminbi)	106,906	62,589	3,419,189	1,015,173	-	-	-	-

The above foreign currency denominated monetary assets and monetary liabilities mainly represent the Group's trade and other receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables, bank and other borrowings and senior notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% (2013: 5%) increase and decrease in the functional currency of each group entity against the above foreign currency. 5% (2013: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% (2013: 5%) increase in foreign currency rates. A (negative) positive number below indicates (a decrease) an increase in profit after taxation where the above foreign currency strengthens 5% against the functional currency of each group entity.

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
(Decrease) increase in profit after taxation	(210,317)	(137,790)	91,748	77,086

(ii) Interest rate risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. The Group's receivables under service concession arrangements, pledged bank deposits, fixed-rate amounts due from/to certain fellow subsidiaries/associates, loan to a joint venture, amount due from/to Xuhui SASAC and entities controlled by Xuhui SASAC, fixed-rate bank and other borrowings, senior notes and convertible bonds have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. The Group's and the Company's bank balances and variable-rate bank and other borrowings also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate.

The management monitors interest rate exposure on ongoing basis and will consider the use of interest rate swaps to partially hedge against its exposure to variability in cash flows of the variable-rate borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and short-term bank deposits (collectively referred to as the "Bank Deposits") and variable-rate borrowings at the end of the reporting period. The sensitivity analysis does not consider the effect of interest expenses qualified for capitalisation.

For variable-rate borrowings and Bank Deposits, the analysis is prepared assuming that the amount of asset/liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point and 10 basis point (2013: 50 basis point and 10 basis point), respectively, increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis point and 10 basis point (2013: 50 basis point and 10 basis point) higher/lower and all other variables were held constant, the Group's profit after taxation for the year would decrease/increase by HK\$130,496,000 (2013: HK\$74,712,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate Bank Deposits and borrowings.

No sensitivity analysis is prepared for the Company's exposure to interest rate risk as the impact is not significant.

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Price risk

The Group is exposed to price risk through their listed investments classified as either available-for-sale investments or financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, the management has appointed a team of specialists to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity investments held by the Group at the reporting date:

If the prices of the respective quoted equity instruments had been 5% (2013: 5%) higher/lower:

- profit after taxation for the year would increase/decrease by HK\$6,660,000 (2013: HK\$7,129,000) as a result of the changes in fair value of financial assets at FVTPL; and
- investment revaluation reserve would increase/decrease by HK\$11,776,000 (2013: HK\$7,493,000) as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 2014, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties and financial guarantees provided is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in Note 48.

The Group's principal financial assets are receivables under service concession arrangements, restricted bank deposits, short-term bank deposits, bank balances and cash, equity and debt investments and trade and other receivables.

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, securities investments to be placed and entered into with financial institutions of good reputation. These internal procedures also impose limitation on the amount outstanding and to manage the credit ratings on investments to be held, so as to minimise the Group's credit risk exposure.

The credit risk arising from receivables under service concession arrangements is limited as these receivables are guaranteed by the relevant governmental authorities in the PRC.

The credit risk arising from consideration receivables, which are due from a few counterparties, is limited after assessing the financial background of the counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk-continued (Continued)

The Group's concentration of credit risk by geographical locations of customers are mainly in the PRC and Hong Kong which accounted for 82% (2013: 86%) and 18% (2013: 14%), respectively, of the trade receivables as at 31 December 2014.

The Group's and the Company's credit risk on bank balances and bank deposits is limited because the counterparties are banks with good reputation.

The Group has concentration of credit risk in relation to amounts due from associates which account for 52% (2013: 37%) of other receivables. These counterparties have a sound financial background at the end of the reporting period by reference to their financial position and business prospects. The Group's credit risk position is monitored closely by the management.

The Company has concentration of credit risk in relation to amounts due from five subsidiaries which account for 93% (2013: 92%) of the total amounts due from subsidiaries balance. These subsidiaries have a sound financial background at the end of the reporting period by reference to their financial position and business prospects. The Company's credit risk position is monitored closely by management.

Liquidity risk

The Group's and the Company's liquidity position are monitored closely by management. The following tables detail the contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 month or on demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2014 HK\$'000
THE GROUP							
2014							
Non-interest bearing	-	930,426	1,164,709	5,448,343	1,736,558	9,280,036	9,280,036
Fixed interest rate instruments	4.77	29,556	56,253	5,417,758	4,848,045	10,351,612	9,864,687
Variable interest rate instruments	3.81	126,021	238,428	14,032,470	22,191,037	36,587,956	34,677,410
		1,086,003	1,459,390	24,898,571	28,775,640	56,219,604	53,822,133
Financial guarantee contracts	-	2,776,888	-	-	-	2,776,888	-

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	Less than 1 month or on demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2013 HK\$'000
THE GROUP							
2013							
Non-interest bearing	-	1,923,157	346,332	5,534,366	-	7,803,855	7,803,855
Fixed interest rate instruments	5.58	81,457	159,808	5,987,992	7,218,452	13,447,709	12,505,819
Variable interest rate instruments	3.57	77,528	147,513	7,839,034	17,174,723	25,238,798	24,096,354
		2,082,142	653,653	19,361,392	24,393,175	46,490,362	44,406,028
Financial guarantee contracts	-	3,690,268	-	-	-	3,690,268	-
THE COMPANY							
2014							
Non-interest bearing	-	-	-	70,578	-	70,578	70,578
Fixed interest rate instrument	1.58%	7,043	13,405	1,281,466	4,091,346	5,393,260	5,181,289
Variable interest rate instruments	1.42%	4,968	9,142	4,280,126	-	4,294,236	4,250,000
		12,011	22,547	5,632,170	4,091,346	9,758,074	9,501,867
Financial guarantee contracts	-	10,265,890	-	-	-	10,265,890	-
THE COMPANY							
2013							
Non-interest bearing	-	-	-	110,181	-	110,181	110,181
Fixed interest rate instrument	1.30	5,704	14,346	1,310,399	4,051,181	5,381,630	5,173,828
Variable interest rate instruments	1.32	5,883	11,206	4,982,477	-	4,999,566	4,950,000
		11,587	25,552	6,403,057	4,051,181	10,491,377	10,234,009
Financial guarantee contracts	-	8,597,560	-	-	-	8,597,560	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group and the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group and the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurement of financial instruments

Other than the financial assets and financial liabilities carried at fair value as detailed in the following table and the available-for-sale investments carried at cost less impairment, the directors of the Company consider that the carrying amounts of restricted bank deposits, trade and other receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables and bank and other borrowings that are recorded at amortised cost in the consolidated financial statements approximate their fair values, which are all categorised under level 3 for fair value measurement. The fair values of these financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Fair value of financial assets that are measured at fair value on a recurring basis:

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input
	31.12.2014 HK\$'000	31.12.2013 HK\$'000			
Available-for-sale investments					
Listed equity securities	235,516	149,854	Level 1	Quoted bid price in an active market	N/A
Investments held-for-trading					
Listed equity securities	159,858	170,959	Level 1	Quoted bid prices in an active market	N/A
Financial asset designated as at FVTPL					
Structured deposits	267,858	299,455	Level 2	By comparing the exchange rates at the end of the reporting period with target exchange rate	N/A

There was no transfer amongst Levels 1 and 2 in both years.

60. EVENT AFTER THE REPORTING PERIOD

On 24 March 2015, SI Environment entered into a sales and purchase agreement with certain independent third parties, pursuant to which SI Environment has agreed to acquire an indirect 92.15% equity interest in 上海復旦水務工程技術有限公司 (Fudan Water Engineering and Technology Co., Ltd.) ("Fudan Water"). Fudan Water is principally engaged in the business of waste water treatment in the PRC. The consideration for the acquisition is RMB1,068,820,000 (equivalent to approximately HK\$1,335,691,000), to be satisfied by cash of RMB151,702,000 (equivalent to approximately HK\$189,580,000) and the balance by the allotment and issue of an aggregate of 1,560,000,000 ordinary shares of SI Environment. In addition to acquisition consideration, SI Environment also agreed to repay a shareholder loan of RMB479,180,000 (equivalent to approximately HK\$598,825,000) within 10 days after the completion of this acquisition. Therefore, the aggregate consideration under the sales and purchase agreement is RMB1,548,000,000 (equivalent to approximately HK\$1,934,516,000). Upon the issuance of consideration shares by SI Environment, the Group's shareholding in SI Environment would be diluted from 41.85% to 35.99%.

Up to the date of approving these consolidated financial statements, this acquisition has not yet been completed.

FINANCIAL SUMMARY

	Year ended 31 December				2014 HK\$'000
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	
RESULTS					
Revenue	14,435,231	14,969,132	19,286,910	21,567,724	19,967,066
Profit before taxation	4,487,839	6,317,006	5,947,741	4,833,753	6,758,899
Income tax expense	(865,784)	(2,179,787)	(1,621,251)	(1,389,533)	(2,466,902)
Profit for the year from continuing operations	3,622,055	4,137,219	4,326,490	3,444,220	4,291,997
Profit for the year from discontinued operations	3,269,339	-	-	-	-
Profit for the year	6,891,394	4,137,219	4,326,490	3,444,220	4,291,997
Attributable to					
- Owners of the Company	6,205,034	4,022,575	3,438,210	2,702,418	3,069,003
- Non-controlling interests	686,360	114,644	888,280	741,802	1,222,994
	6,891,394	4,137,219	4,326,490	3,444,220	4,291,997
	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share					
- Basic	5.75	3.725	3.184	2.500	2.834
- Diluted	5.75	3.725	3.182	2.374	2.634
	As at 31 December				2014 HK\$'000
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	
ASSETS AND LIABILITIES					
Total assets	109,446,036	115,814,617	115,313,011	122,410,025	127,270,558
Total liabilities	(70,645,300)	(70,340,582)	(67,073,978)	(70,030,211)	(73,867,739)
	38,800,736	45,474,035	48,239,033	52,379,814	53,402,819
Equity attributable to owners of the Company	25,559,484	30,062,368	32,409,489	34,946,024	35,518,016
Non-controlling interests	13,241,252	15,411,667	15,829,544	17,433,790	17,884,803
	38,800,736	45,474,035	48,239,033	52,379,814	53,402,819

Note: The results for the year ended 31 December 2010 and the assets and liabilities as of 31 December 2010 have not been adjusted for the application of amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", which requires retrospective application when it was adopted in the year ended 31 December 2012.

PARTICULARS OF MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSES

Details of the Group's major properties held for investment purposes as at 31 December 2014 are as follows:

Location	Term of lease	Type of use	Group's interest
1. Shanghaimart (上海世貿商城) situated at No. 2299 Yanan Road West, Changning District, Shanghai, the PRC	Held under a land use right for a term expiring on 20 October 2049	Commercial, Office and Expo	35.67%
2. Urban Development International Tower (城開國際大廈) situated at No. 355 Hongqiao Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 7 October 2053	Commercial	41.27%
3. 20 office units on Levels 8, 9 and 10 and 12 car parks, Asia-pacific Enterprises Tower, situated at No. 333 Zhaojiabang Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 5 December 2042	Commercial and Office	41.27%
4. Levels 1 to 3, Nos. 498 and 500 Lane 388 Pubei Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 30 June 2050	Commercial	41.27%
5. Huimin Commercial Tower (滙民商廈) and non-motor vehicle shed situated at Nos. 111 and 123 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	Held under a land use right with an unspecified term	Commercial	41.27%
6. Phase 2 of Shanghai Youth City (上海青年城), No. 1519 Husong Road, Jiuting Town, Songjiang District, Shanghai, the PRC	Held under a land use right for a term expiring on 8 July 2055	Commercial	69.95%
7. Laochengxiang (老城廂), Lot No. 11 of Laochengxiang Area, Nankai District, Tianjin, the PRC	Held under a land use right for a term expiring on 29 March 2075	Residential, Commercial and Office	69.95%
8. Lot No. B2, Phase I of Top City (城上城), No. 1 Olympic Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	Held under a land use right for a term expiring in February 2044	Commercial and Car Park Spaces	69.95%
9. Several levels of Golden Bell Plaza (金鐘廣場), No. 98 Huahai Road Central, Huangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 18 November 2043	Commercial and Office	57.29%
10. Several levels of commercial and Cultural Complex of Hi Shanghai (海上海), Lane 568 Feihong Road and Nos. 950, 970 and 990 Dalian Road, Yangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 19 September 2052	Composite	63.65%

PARTICULARS OF MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSES

Location	Term of lease	Type of use	Group's interest
11. Commercial Units of Huangpu Estate (黃浦新苑), No. 1130 and Nos. 1-2, Lane 1108, Tibet Road South, Huangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 9 November 2050	Commercial	63.65%
12. Several levels of Shanghai Industrial Investment Building (上海實業大廈), No. 18 Caoxi Road North, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 28 November 2044	Commercial and Office	63.65%
13. Gaoyang Commercial Centre (高陽商務中心), No. 815 Dongdaming Road, Hongkou District, Shanghai, the PRC	Held under a land use right for a term expiring on 5 March 2053	Commercial and Office	63.65%
14. Blocks 1-9, Shanghai United Wool Wearing Factory (上海聯合毛紡織廠), No. 1111 Shangchuan Road, Pudong New District, Shanghai, the PRC	Held under a land use right for a term expiring on 6 March 2056	Industrial Building	63.65%

GLOSSARY OF TERMS

Term used	Brief description
Companies Ordinance	Companies Ordinance (Chapter 622) of the laws of Hong Kong
Company	Shanghai Industrial Holdings Limited
Director(s)	director(s) of the Company
Fudan Water	Shanghai Fudan Water Engineering and Technology Co., Ltd.
Galaxy Energy	SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd.
General Water of China	General Water of China Co., Ltd.
Group	the Company and its subsidiaries
Hu-Ning Expressway	Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Longjiang Environmental	Longjiang Environmental Protection Group Co., Ltd.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules
Nanyang Tobacco	Nanyang Brothers Tobacco Company, Limited
Net Business Profit	Net profit excluding net corporate expenses
PRC	The People's Republic of China
SFO	Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong
SGX	Singapore Stock Exchange
Shanghai City Land Group	Shanghai City Land (Group) Co., Ltd.
Shanghai Galaxy	Shanghai Galaxy Investment Co., Ltd.
Shanghai Pharmaceuticals	Shanghai Pharmaceuticals Holding Co., Ltd. (SSE stock code: 601607; HKSE stock code: 2607)
Shengli Medical	Shanghai Dental Instrument Factory Co., Ltd.
SI Development	Shanghai Industrial Development Co., Ltd. (SSE stock code: 600748)
SI Environment	SIIC Environment Holdings Ltd. (SGX stock code: 5GB)
SI Environment Scheme	A share option scheme adopted by SI Environment at the extraordinary general meeting held on 27 April 2012
SI Urban Development	Shanghai Industrial Urban Development Group Limited (HKSE stock code: 563)
SI Urban Development Scheme	A share option scheme adopted by SI Urban Development at the extraordinary general meeting held on 12 December 2002. Such scheme was expired on 11 December 2012

GLOSSARY OF TERMS

Term used	Brief description
SI Urban Development New Scheme	A new share option scheme adopted by SI Urban Development at the annual general meeting held on 16 May 2013
SIE Water	SIE Water Co., Ltd.
SIHL Scheme	A share option scheme adopted by the Company at the extraordinary general meeting held on 31 May 2002. Such scheme was terminated at the extraordinary general meeting of the Company held on 25 May 2012
SIHL New Scheme	A new share option scheme adopted by the Company at the extraordinary general meeting held on 25 May 2012
SIIC	Shanghai Industrial Investment (Holdings) Company Limited
SIIC Shanghai	SIIC Shanghai Holdings Co., Ltd.
SSE	Shanghai Stock Exchange
Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
Wing Fat Molded Fiber	Wing Fat Molded Fiber (China) Holdings Limited (formally known as Shengli Medical)
Wing Fat Printing	The Wing Fat Printing Company, Limited

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