瑞安建業
SOCAM DEVELOPMENT

FOCUS ON
REALISATION OF ASSET VALUES

Annual Report 2014

Stock Code: 983

CORPORATE VALUES

Integrity

Quality

Innovation

Excellence

CONTENTS

CORPORATE PROFILE

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

SOCAM's primary business interests encompass three main areas:

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

BUSINESS AT A GLANCE

瑞安建業
SOCAM DEVELOPMENT

PROPERTY

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

CONSTRUCTION

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

CEMENT

- Lafarge Shui On Cement

CORPORATE INFORMATION

BOARD

Executive Directors

Mr. Lo Hong Sui, Vincent (Chairman)

Mr. Choi Yuk Keung, Lawrence
(Vice Chairman and Managing Director)

Mr. Wong Fook Lam, Raymond
(Managing Director and Chief Financial Officer)

Non-executive Directors

Mr. Wong Kun To, Philip

Mr. Tsang Kwok Tai, Moses

Independent Non-executive Directors

Mr. Gerrit Jan de Nys

Ms. Li Hoi Lun, Helen

Mr. Chan Kay Cheung

AUDIT COMMITTEE

Mr. Chan Kay Cheung (Chairman)

Mr. Gerrit Jan de Nys

Ms. Li Hoi Lun, Helen

REMUNERATION COMMITTEE

Ms. Li Hoi Lun, Helen (Chairman)

Mr. Lo Hong Sui, Vincent

Mr. Chan Kay Cheung

NOMINATION COMMITTEE

Mr. Lo Hong Sui, Vincent (Chairman)

Mr. Gerrit Jan de Nys

Mr. Chan Kay Cheung

FINANCE COMMITTEE

Mr. Gerrit Jan de Nys (Chairman)

Mr. Wong Fook Lam, Raymond

Mr. Tsang Kwok Tai, Moses

Mr. Chan Kay Cheung

INVESTMENT COMMITTEE

Mr. Choi Yuk Keung, Lawrence (Chairman)

Mr. Wong Fook Lam, Raymond

Ms. Li Hoi Lun, Helen

Mr. Chan Kay Cheung

EXECUTIVE COMMITTEE

Mr. Choi Yuk Keung, Lawrence (Chairman)

Mr. Lo Hong Sui, Vincent

Mr. Wong Fook Lam, Raymond

Other key executives

COMPANY SECRETARY

Ms. Ng Lai Tan, Melanie

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

34th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Hang Seng Bank Limited

Standard Chartered Bank (Hong Kong) Limited

Industrial and Commercial Bank of China Limited

The Bank of East Asia, Limited

China CITIC Bank International Limited

BNP Paribas

STOCK CODE

983

WEBSITE

www.socam.com

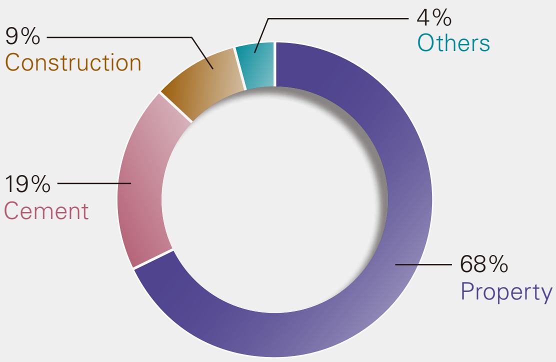
FINANCIAL HIGHLIGHTS

HK$ million	Year ended 31 December 2010	2011	2012 (Restated)	2013	2014
Turnover					
Company and subsidiaries	8,044	5,900	6,443	7,952	**6,102**
Share of joint ventures and associates	2,986	3,516	4,892	4,460	**3,985**
Total	11,030	9,416	11,335	12,412	**10,087**
Profit (loss) attributable to shareholders	903	910	459	(889)	**(1,374)**
Basic earnings (loss) per share (HK$)	1.85	1.86	0.93	(1.81)	**(2.84)**
Total dividends per share (HK$)	0.60	0.65	0.50	–	**–**

	At 31 December 2010	2011	2012 (Restated)	2013	2014
Total assets (HK$ billion)	21.0	22.2	23.3	23.1	**18.5**
Net assets (HK$ billion)	9.2	10.0	10.2	9.3	**7.8**
Net asset value per share (HK$)	18.82	20.43	20.76	19.26	**16.17**
Net gearing	51.3%	50.5%	47.1%	48.3%	**53.7%**

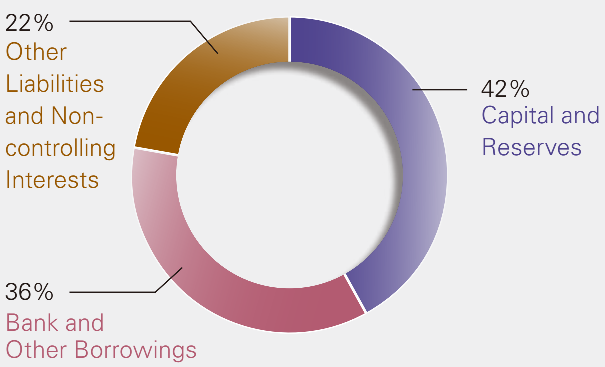
ASSETS EMPLOYED

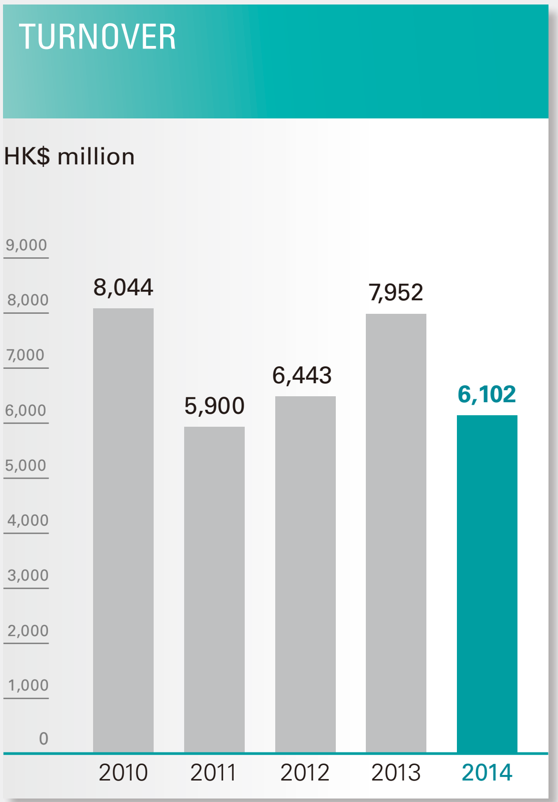
At 31 December 2014

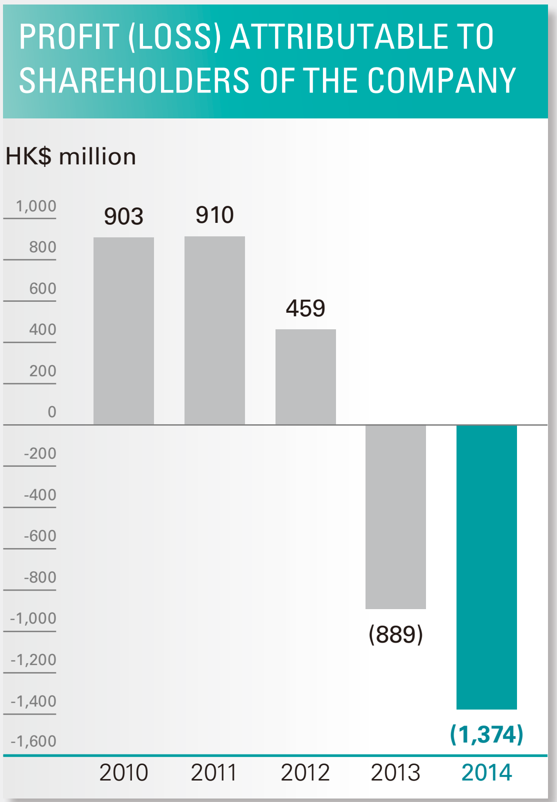


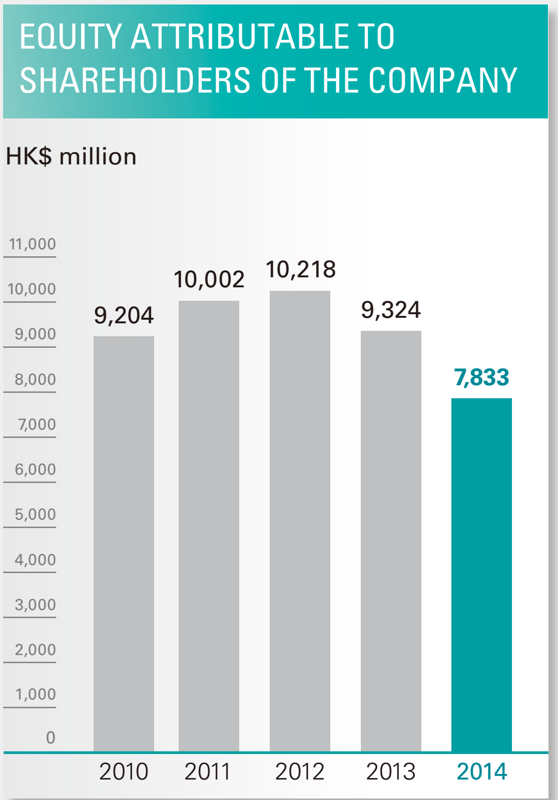
CAPITAL AND LIABILITIES

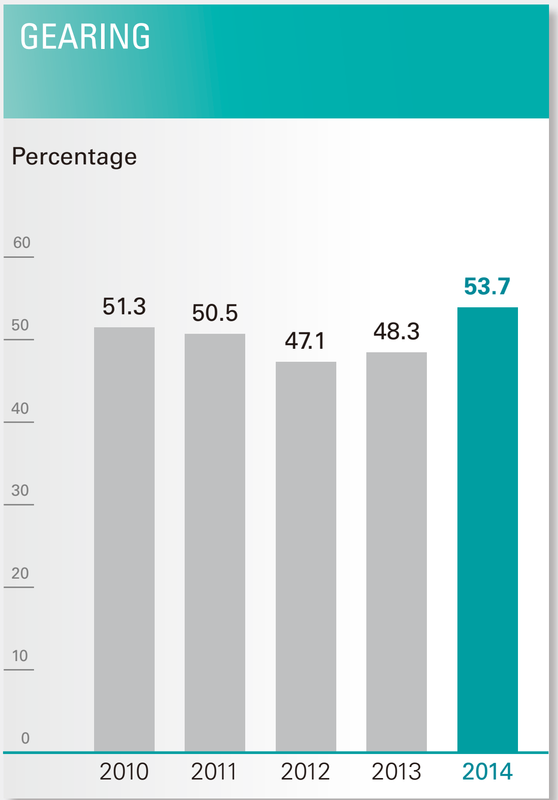
At 31 December 2014




TURNOVER
HK$ million
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
8,044
5,900
6,443
7,952
6,102
2010
2011
2012
2013
2014


PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY
HK$ million
1,000
800
600
400
200
0
-200
-400
-600
-800
-1,000
-1,200
-1,400
-1,600
903
910
459
(889)
(1,374)
2010
2011
2012
2013
2014


EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY
HK$ million
11,000
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
9,204
10,002
10,218
9,324
7,833
2010
2011
2012
2013
2014


GEARING
Percentage
60
50
40
30
20
10
0
51.3
50.5
47.1
48.3
53.7
2010
2011
2012
2013
2014

EVENT
HIGHLIGHTS

JAN
Disposal of 80% interest in Shenyang Project Phase II.

FEB
Awarded the 5 Years Plus Caring Company Logo from The Hong Kong Council of Social Service.

MAR
Awarded two 3-year term maintenance contracts for the Architectural Services Department. (total contract value: HK$820 million)

APR
En-bloc disposal of Tianjin Project Phase II.

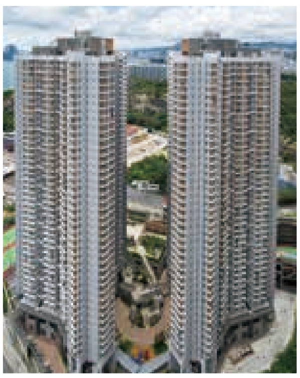
Completed the design and construction of Hong Kong Garden for the International Horticultural Exposition 2014 Qingdao. (contract value: HK$25 million)

FEB

JAN

APR

JUN



JUN

JUN
Completed the construction of public rental housing development at Kwai Shing Circuit. (contract value: HK$597 million)

Completed the contract for the substation refurbishment works for CLP Power. (contract value: HK$120 million)

Yau Lai Estate Phase 5 obtained Grand Award in the Quality Building Award 2014 under Hong Kong residential (multiple buildings) category.

AUG
Secured the contract for the construction of public rental housing in San Po Kong. (contract value: HK$560 million)

SEP

OCT

OCT

SEP

Pre-sale of the residential units of Chengdu Centropolitan commenced.

The joint venture with SoTan Fund acquired a further 35% interest in Nanjing Scenic Villa.

OCT

Disposal of 85% interest in Shui On Construction (Mainland) and 100% interest in Pat Davie (China).

Nanjing Scenic Villa obtained Gold Award (Planning and Environment) in 2014 National Human Settlement Classical Architecture Planning Competition.

Hong Kong Garden obtained Outstanding Award in the Outdoor Garden Competition of International Horticultural Exposition 2014 Qingdao.

NOV

Received Gold Award in the Best Corporate Governance Disclosure Awards 2014 under non-HSI category (Mid-to-small Market Capitialisation) by Hong Kong Institute of Certified Public Accountants.

Construction Division obtained 19 awards in the Quality Public Housing Construction and Maintance Awards 2014.

DEC

Ground-breaking ceremony of Nanjing Scenic Villa.

Participated in the Carbon Footprint Repository for Listed Companies in Hong Kong developed by the Environment Bureau.

Completed two contracts for the maintenance, improvement and vacant flat refurbishment of properties managed by the District Maintenance Office. (total contract value: HK$626 million)

NOV

DEC

DEC

MAJOR AWARDS
AND RECOGNITION

CORPORATE GOVERNANCE

- Gold Award in the **Best Corporate Governance Disclosure Awards 2014** under non-HSI (Mid-to-small Market Capitalisation) category – Hong Kong Institute of Certified Public Accountants
- The 4th **Asian Excellence Recognition Awards 2014** – Corporate Governance Asia
  - Best Investor Relations Company
  - Asia's Best CEO
  - Best Corporate Communications Team
- Asia's Best Company Secretary in the 2nd **Asian Company Secretary of the Year** – Corporate Governance Asia
- Gold Award in **The Asset Corporate Awards 2014** – The Asset
- **5 Years Plus Caring Company Logo** 2014/15 – The Hong Kong Council of Social Service
- Silver Award in the 5th **Hong Kong Outstanding Corporate Citizenship Award (Enterprise)** – Hong Kong Productivity Council
- 2014 **International ARC Awards for Annual Report 2013**
  - Gold Award in Financial Data: Diversified Business
  - Gold Award in Written Text: Conglomerate
  - Honors Award in Chairman's Letter: Conglomerate

ENVIRONMENTAL PERFORMANCE

- Certificate of Commendation in the **Carbon Footprint Repository for Listed Companies in Hong Kong** – Environment Bureau, HKSAR Government
- **BEAM Plus V1.1 Provisional Platinum** for Sports Centre, Community Hall and District Library in Shatin – Hong Kong Green Building Council Limited
- **Green Building Award 2014** – Hong Kong Green Building Council, Professional Green Building Council
  - Grand Award in New Buildings category (Buildings Under Construction) for the Redevelopment of Ex-Yuen Long Estate – Sustainable Public Housing Design in a Small Compact Site (Long Ching Estate)
  - Merit Award in New Buildings category (Completed Buildings) for Energizing Kowloon East Office
- Silver Award in the **Considerate Contractors Site Award Scheme 2013** – Works Branch of the Development Bureau, HKSAR Government
- Merit Award in **Hong Kong Awards for Environmental Excellence 2013** for the Public Rental Housing Development in Kwai Shing Circuit – Environmental Campaign Committee

QUALITY

- Grand Award in the **Quality Building Award 2014** under Hong Kong Residential (Multiple Buildings) category for Yau Lai Estate Phase 5 – Quality Building Award 2014
- Gold Award (Planning and Environment) in 2014 **National Human Settlement Classical Architecture Planning Competition** for Nanjing Scenic Villa – Architectural Society of China
- Outstanding Award in the **Outdoor Garden Competition of International Horticultural Exposition 2014 Qingdao** for Hong Kong Garden – Bureau of International Horticultural Exposition 2014 Qingdao
- **Quality Public Housing Construction & Maintenance Award 2014** – Hong Kong Housing Authority
  - Gold Award in New Works Projects – Outstanding Contractors (Building)
  - Gold Award in Maintenance & Improvement Projects – Outstanding Maintenance & Improvement Projects
  - Silver Award in Maintenance & Improvement Projects – Outstanding Contractors (District Term Contract)
  - Maintenance & Improvement Projects – Outstanding Partnering Teams (Building Works)
  - New Works Projects – Outstanding Contractors (The Innovative Use of BIM Technology – Main Contractors)

SAFETY

- 13th **Hong Kong Occupational Safety & Health Award** – Occupational Safety and Health Council
  - Safety Performance Award
  - Gold Award in Safety Management System Award
- **Construction Industry Safety Award Scheme 2013/2014** – Labour Department
  - Silver Award in Minor Renovation & Maintenance Works
  - Gold and Silver Awards in Minor Renovation & Maintenance Works – Subcontractor
- **Construction Safety Promotional Campaign 2014** – Occupational Safety and Health Council, Labour Department and Construction Industry Council Gold Award in:
  - Best Safety Culture Site
  - Best Refurbishment & Maintenance Contractor in Occupational Safety and Health
  - Outstanding Metal Scaffolder in Occupational Safety and Health
- Silver Award in **Innovative Safety Initiative Award 2014** – Development Bureau, Construction Industry Council and Hong Kong Construction Association

CHAIRMAN'S STATEMENT

"The year saw steady and meaningful progress in our monetisation strategy, culminating in a significant milestone in the first quarter of 2015."

Tianjin Veneto

Chengdu Centropolitan

Shanghai Four Seasons Place

Property sales had a slow start in the year as a result of the unprecedentedly poor market conditions in the Mainland until the fourth quarter. Nonetheless, we managed to make steady progress through different channels.

Dear Shareholders,

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

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

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

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

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

Nanjing Scenic Villa

Hong Kong Children's Hospital

Long Ching Estate in Yuen Long, Hong Kong

bank borrowings and finance the development costs of remaining projects.

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

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

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

PROGRESS IN MONETISATION

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

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

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

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

> “With the further sale of our remaining property portfolio, your Company will then be able to focus on its underlying core business of construction in Hong Kong, which has always been our strength.”

OUTLOOK

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

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

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

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

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

Vincent H. S. LO
Chairman

Hong Kong, 26 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's two major businesses, namely property and cement, were significantly and adversely affected for most of 2014. However, in Hong Kong, our construction business continued to benefit from the HKSAR's rapidly-growing public housing programme.

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

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

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

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

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

MONETISATION PROGRESS

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

Property Sales

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

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

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

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

Sales of Construction Business in the Chinese Mainland

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

Significant Progress Beyond 2014

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

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

In January, an agreement was reached to sell Beijing Centrium Residence, in which the Group has a 65% interest, for a consideration of HK$660 million. The transaction is expected to be completed in April 2015.

PROPERTY

QUALITY ASSETS

GFA
60,400
square metres
Tianjin
VENETO

GFA
11,400
square metres
Guangzhou
PARC OASIS

GFA
36,400
square metres
Shanghai
21ST CENTURY TOWER

GFA
31,500
square metres
Chongqing
CREATIVE CONCEPTS CENTER

GFA
58,800
square metres
Nanjing
SCENIC VILLA

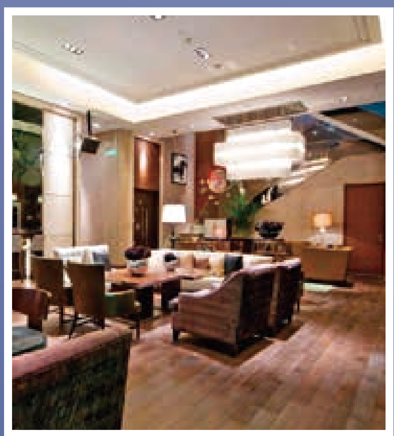
GFA
130,600
square metres
Shenyang
SHENYANG PROJECT PHASE II

GFA
13,800
square metres
Shanghai
LAKEVILLE REGENCY TOWER 18

GFA
101,100
square metres
Shenyang
SHENYANG PROJECT PHASE I

GFA
386,100
square metres
Chengdu
CENTROPOLITAN

GFA
4,400
square metres
Beijing
CENTRIUM RESIDENCE



GFA
780,700
square metres
Guizhou
ZUNYI PROJECT

The GFA shown refers to total developable GFA attributable to the Group as at 31 December 2014, and has excluded sold and delivered areas.

BUSINESS REVIEW | PROPERTY

Amid a challenging market environment, we successfully completed a number en-bloc sales of properties. The disposal of Shenyang Project Phase II and Tianjin Project Phase II together realised gross proceeds of approximately HK$1.7 billion.

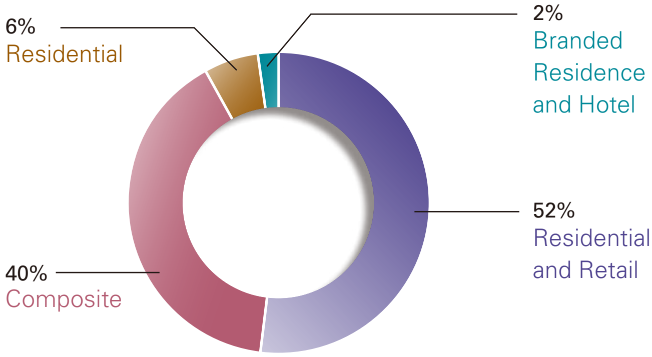
SPECIAL SITUATION PROJECTS

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

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

* The GFA shown above has excluded sold and delivered areas

Property Type (analysed by GFA)



PROJECT DEVELOPMENT AND MARKETING PROGRESS

Beijing Centrium Residence

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

Guangzhou Parc Oasis

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

Four Seasons Hotel Pudong, Shanghai

GFA*

1,615,200 square metres
at 31 December 2014

2,070,100 square metres
at 31 December 2013

* Excluding that of the knowledge community project in Dalian

TOTAL ASSETS

HK **$12,575** million
at 31 December 2014

HK $15,266 million
at 31 December 2013

LOSS AFTER TAX

HK **($779)** million
Year ended 31 December 2014

HK ($158) million
Year ended 31 December 2013

Shanghai Lakeville Regency Tower 18

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

Tianjin Veneto and Tianjin Project Phase II

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

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

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

Shanghai 21st Century Tower

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

Chengdu Centropolitan

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

Chongqing Creative Concepts Center

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

Shenyang Project Phases I and II

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

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

Chengdu Centropolitan

Nanjing Scenic Villa

PROJECT ACQUISITION

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

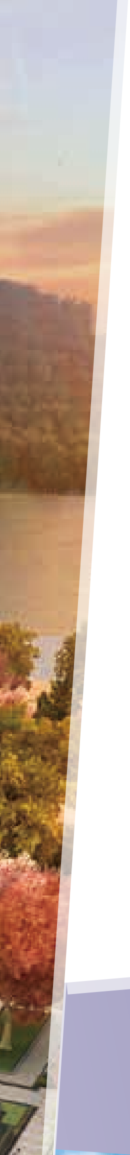
KNOWLEDGE COMMUNITY

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

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

LEASABLE AND SALEABLE GFA COMPLETED
323,000 square metres

LEASABLE AND SALEABLE GFA UNDER CONSTRUCTION
1,027,000 square metres



Dalian Tiandi

CONSTRUCTION

GROSS VALUE OF CONTRACTS ON HAND

Approximately HK **$16.6** billion
at 31 December 2014

HK **$680** million
Relocation of the
DEPARTMENT OF JUSTICE
of the HKSAR Government to
Central Government Offices
(Main and East Wings)

HK **$9.1** billion
Design and Construction of the
HONG KONG CHILDREN'S HOSPITAL
via the Joint Venture with
China State Construction

HK **$440** million
Construction of
PUBLIC RENTAL HOUSING
Development in Yuen Long
(Long Ching Estate)

HK **$799** million
Construction of
SPORTS CENTRE,
COMMUNITY HALL
AND DISTRICT LIBRARY COMPLEX
in Sha Tin

HK **$2.2** billion
Design and Construction of
WEST KOWLOON
LAW COURTS BUILDING
at Sham Shui Po

BUSINESS REVIEW | CONSTRUCTION

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

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

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

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

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

SHUI ON BUILDING CONTRACTORS (SOBC)

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

This company also successfully secured a number of new projects totaling HK$2,570 million, which included the construction of public rental housing in San Po Kong at HK$560 million, and several terms contracts for maintenance works for Government and subvented properties, including two 3-year term maintenance contracts for the Architectural Services Department amounting to HK$820 million. Riding on our solid presence in the market, we will expand our order book by capturing the expanding building programme for public housing, and maintenance projects implemented by various government institutions.

Long Ching Estate
in Yuen Long, Hong Kong

OUTSTANDING VALUE OF CONTRACTS ON HAND

HK **$11.4** billion
at 31 December 2014

HK $11.5 billion
at 31 December 2013*

* Re-stated to exclude the contracts of the Mainland operation which was sold in October 2014

TURNOVER

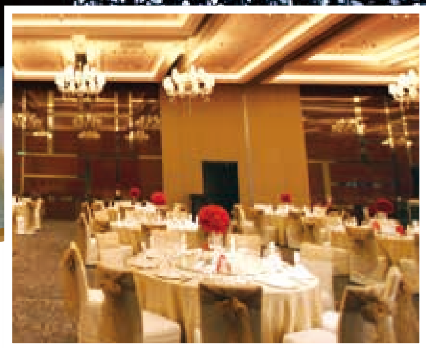
HK **$5.6** billion
Year ended 31 December 2014

HK $4.8 billion
Year ended 31 December 2013

OPERATING PROFIT

HK **$112** million
Year ended 31 December 2014

HK $115 million
Year ended 31 December 2013



Quality fit-out works

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

SHUI ON CONSTRUCTION (SOC)

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

SHUI ON CONSTRUCTION, MAINLAND (SOCM)

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

PAT DAVIE (PDL)

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

BUSINESS REVIEW | CEMENT

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

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

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

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

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

Lafarge Shui On Cement Joint Venture

FINANCIAL REVIEW

FINANCIAL RESULTS

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

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

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

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

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

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

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

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

Property

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

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

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

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

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

Construction

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

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

Cement operations

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

Net finance costs

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

Corporate overheads and others

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

Taxation

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

Assets base

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

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

	HK$	HK$
Net assets per share	**16.2**	19.3

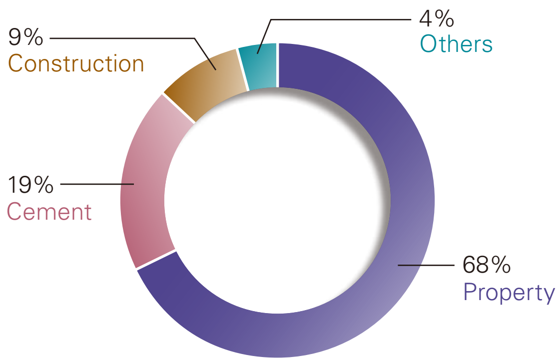
Total assets of the Group decreased to HK$18.5 billion at 31 December 2014 from HK$23.1 billion at 31 December 2013, which will be explained in the segment analysis below. The decrease in net assets of the Group and net assets per share was largely attributable to the loss incurred during the current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

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

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

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

Total Assets By Business Segments:



EQUITY, FINANCING AND GEARING

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

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

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

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

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

TREASURY POLICIES

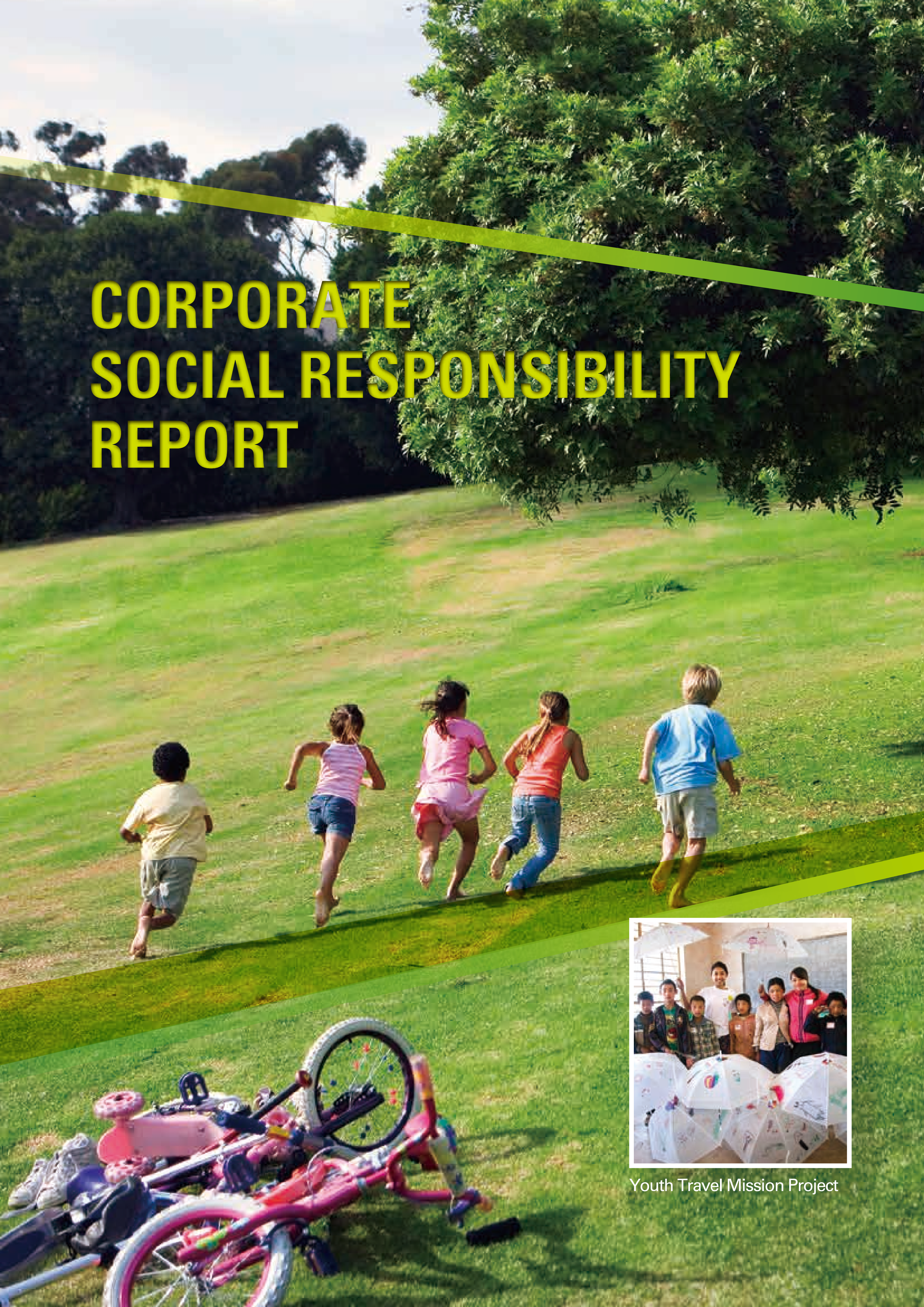
The Group's financing and treasury activities are centrally managed and controlled at the corporate level.

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

EMPLOYEES

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

CORPORATE SOCIAL RESPONSIBILITY REPORT



Youth Travel Mission Project

Drama Activities for Primary School Students with Special Education Needs

Visit to the Elderly

Mother's Choice Walkathon

Tree Planting Activities

OUR COMMITMENT

PROGRESS HIGHLIGHTS OF 2014

CARING FOR OUR **PEOPLE**

CARING FOR THE **ENVIRONMENT**

CARING FOR THE **COMMUNITY**

CORPORATE SOCIAL RESPONSIBILITY REPORT

OUR COMMITMENT

The Group was founded on a corporate culture of integrity, innovation, quality and excellence. As a responsible business, we also regard CSR as an integral part of our business philosophy and outlook. We consider it fundamental to our core strategies and daily operations that we enhance the safety and wellbeing of our employees, are effective stewards of the environment and reach out to those in the wider community.

Our CSR commitment has come a long way since 1982 when we set up the Shui On Seagull Club as a voluntary social service unit to undertake charitable projects for the benefit, particularly, of the elderly, the handicapped and underprivileged children. Since then, and in a changing world, our responsibilities have considerably widened, and focus on three key areas – Community, Environment and our People.

In line with this understanding, in 2008 we first set out our CSR principles and commitment in a Policy Statement. The coordination and oversight of the implementation of this Policy are undertaken by our CSR Steering Committee which is further responsible for promoting the personal involvement of our employees in all facets of its codification to cultivate a strong "Shui On – We Care" brand.

The management of each business operation in the Group is responsible for identifying and adopting systems, certifications and practices applicable to their operational sphere. They also establish yardsticks for measuring outcomes achieved.

Beijing Colour Run

Chengdu Tree Planting

Sports Day for the Disabled and Non-Disabled

CARING FOR OUR PEOPLE

Employees are our greatest asset. We are committed to embracing the level of engagement, health and safety, overall wellness and personal growth of our employees.

CARING FOR THE ENVIRONMENT

Devoting systematic efforts towards the conservation of energy and natural resources as well as reduction of waste and emissions at both business operation and individual levels.

CARING FOR THE COMMUNITY

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

PROGRESS HIGHLIGHTS OF 2014

During the year, SOCAM advanced our CSR practices on all fronts. We were among the first group of listed companies to join the carbon footprint repository (CFR) scheme. The CFR is an online platform developed by the Environment Bureau for Hong Kong listed companies to lodge their contributions and efforts in auditing their carbon footprints and disclosing their carbon data.

In line with our commitment to greater transparency and international standards of reporting, we are reporting this year taking into account the new Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

ENVIRONMENT

REPORTED GREENHOUSE GAS EMISSIONS (GHG)

77,360 tonnes CO_2e

2013: 37,497 tonnes CO_2e

Remarks: Two more constructions sites are included in the 2014 calculation

BEAM PLUS CERTIFICATION

The Sports Centre, Community Hall and District Library Complex in Shatin under construction obtained **BEAM Plus V1.1 Provisional Platinum** rating by Hong Kong Green Building Council

COMMUNITY

NO. OF VOLUNTEERING HOURS

3,602 hours

2013: 3,444 hours

NO. OF STAFF PARTICIPATION IN VOLUNTEERING

512

2013: 468

PEOPLE

ACCIDENT RATE PER 1,000 WORKERS

8%

2013: 7%

INJURY RATE PER 1,000 WORKERS

7.74%

2013: 6.92%

*Figures of Shui On Building Contractors, Shui On Construction, Pacific Extend and Pat Davie

NO. OF TRAINING HOURS

18,234 hours

2013: 17,007 hours

SOCAM and its 4 subsidiaries (Shui On Building Contractors Limited, Shui On Construction Limited, Pat Davie Limited and SOCAM Asset Management Limited) were awarded the 5 Years Plus Caring Company Logo by The Hong Kong Council of Social Service in recognition of SOCAM's efforts in promoting corporate social responsibility.

SOCAM won Silver Award (Enterprise Category) in the 5th Hong Kong Corporate Citizenship Award Scheme by Hong Kong Productivity Council, recognising the Company's effort on employee wellbeing, substainability, business ethic, contribution to community and CSR effectiveness.

CARING FOR OUR **PEOPLE**

WORKPLACE QUALITY

We regard our employees as our greatest asset. Safety, people development and staff wellbeing have been the key focus of our human resources commitment during the year under review. On a daily basis, SOCAM promotes overall wellness and encourages personal growth and work-life balance.

HEALTH & SAFETY

Prevent Heat Stroke at Work

SOCAM's major operating businesses comprise property, construction and cement. Naturally, the nature of our day-to-day operations means that we have to address a risk profile that is pertinent to construction-related activities, thereby attaching great importance to occupational health and safety. Our Health, Safety and Environment Department monitors the Company's policies, their implementation and performance. A Policy Statement in this regard, issued in 1998, provides the template for how the Group protects the physical wellbeing of our employees. Considerations for health and safety are given the highest priority in matters of design, methods, materials, waste and equipment.

Systematic "review of method" studies on operational practices and training needs were conducted along with a series of initiatives to reinforce site safety culture to meet and even exceed legislated standards.

For many years, SOCAM's construction division has recorded accident figures significantly below the industry average; in 2014, we recorded eight cases per thousand workers. This is achieved through established best practices, training and regular inspection. There were 32 non-fatal injury cases during the year.

In 2014, SOCAM's construction division recorded a total of 86,944 number of participation, including subcontractors' workers, for all site health, safety and environmental trainings (57,934 in 2013). Part of this time was valuably spent in conducting the annual Subcontractors' Safety Workshop and Target Seminar, where both events attracted over 500 participants including our external partners and subcontractors. Through sharing the latest approaches to safety management and updates on legislative requirements, we encourage our partners to achieve the highest standards in health and safety. The seminar also presents an opportunity to focus on

ACCIDENT RATES

environmental awareness and the pursuit of quality construction outcomes.

During the year, we participated in a recently introduced safety promotion programme to carry out health checks and prevent heat stroke at work, led by the Hong Kong Construction Industry Employees General Union and the Labour Department of the HKSAR.

TYPE AND NUMBER OF WORK INJURY	2013	2014
Fatal	0	**0**
Non-fatal	29	**32**
Injury Rate (per thousand workers)	6.92	**7.74**


Health, Safety and Environment Target Seminar

TRAINING AND DEVELOPMENT

SOCAM continues to promote a learning culture, which has been a pillar of our corporate culture, 'Shui On Spirit', and puts emphasis on the value of our human capital. With structured career development and training programmes and other campaigns focusing on self-learning, our people of all levels are well-equipped to excel at work and in personal development.

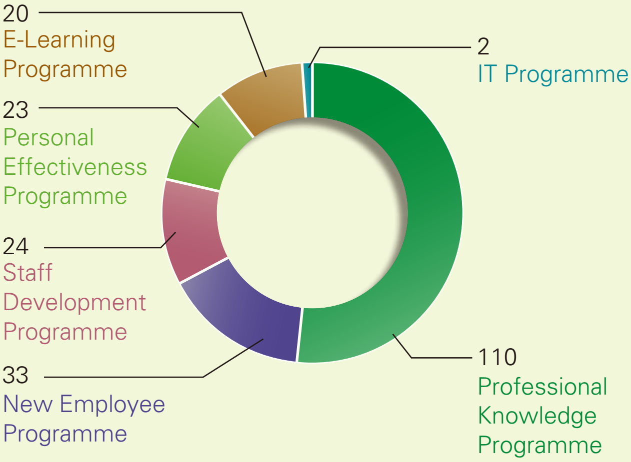
The Company provides comprehensive training programmes to meet the needs of all staff levels. Training programmes include Advanced and Fundamental Management Programmes, New Employee Programme, Personal Effectiveness Programme, E-learning Programme, etc.

In recent years, Hong Kong has experienced a booming construction industry, resulting in a serious shortage of manpower. To cope with this challenge, SOCAM has been proactive in advancing staff operational knowledge and technical competency during the year, through a series of in-house training programmes.

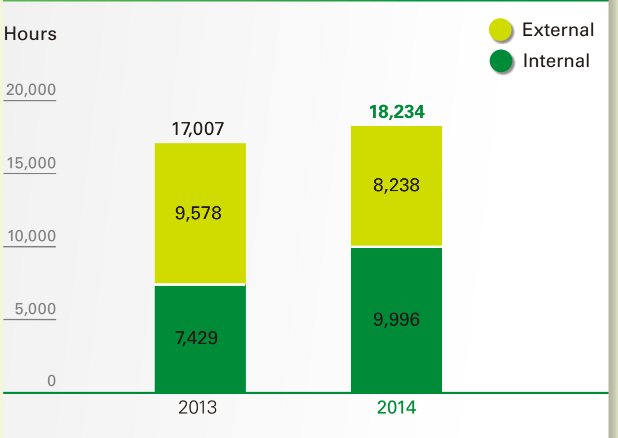
In the prevailing competitive market for construction talents, we continue to use various recruitment channels to attract young talent and provide career development opportunities.

These include our Graduate Engineer Training Programme that involves three years of on-the-job training focusing on both technical and personal competencies, Apprenticeship Training Programme, the Trainee Foreman Programme and Construction Craftsman Training.

NUMBER OF TRAINING COURSES CONDUCTED IN 2014 BY TOPIC



TOTAL TRAINING HOURS IN 2014



Outward Bound Corporate Challenge 2014

EMPLOYEE WELLBEING

Book Fair at Construction Site

Kick-out-Poverty Charity Football Match

At SOCAM, we value each employee as a member of the Shui On community and seek to ensure their overall wellbeing. We adopt a holistic approach embracing physical, emotional, recreational, intellectual and occupational aspects. We aim to create a harmonious workplace, promoting friendships and family fun in the wider consideration of life fulfillment.

In Hong Kong, 41 events were organised for employees, with over 4,600 staff participating. These activities include various outings and recreational programmes, daily exercises, healthy fruits, sharing sessions. An interest group development fund was developed during the year to encourage sharing of interests among employees and promote the joy of learning.

Our 'Lunch and Learn Talks' are more casual forms of exchange that deal with a wide range of popular topics, including health and nutrition talks, work-life balance seminars and exercise sessions. Other wellness initiatives feature laughter yoga workshops, massage sessions, baduanjin exercises and eye check-ups. They provide an opportunity for employees to widen their knowledge, and help to share their personal interests.

In addition to our efforts to ensure physical safety, SOCAM also has an Employee Assistance Programme operated by an external party to provide professional counseling services. This programme has successfully helped a number of employees deal with work or personal issues throughout the years.

CARING FOR THE **ENVIRONMENT**

ENVIRONMENTAL PROTECTION

SOCAM aims to effectively manage, and continuously improve, our environmental performance. We set up stringent measures on waste management and conservation of energy and natural resources, as well as employ innovative designs and working practices. We continuously identify areas for improvement and integrate these environmental concerns into our business strategy and practices.

GREEN CERTIFICATION

On-site environmental awareness is critical at the earliest stage of project planning. In our construction division, an environmental management plan is developed to control and monitor the emissions from the site during the construction stage and to prohibit the use of environment harmful substances. The efficient use of materials is carefully monitored to promote waste reduction, and we set up waste recycling facilities dedicated to the project.

These initiatives, together with the rigorous standards set, once again enable our construction project obtain certification from the U.S. Green Building Council and the local Building Environmental Assessment Method (BEAM) in 2014.

SUSTAINABLE DEVELOPMENT – **A PROJECT SNAPSHOT**

SPORTS CENTRE, COMMUNITY HALL AND DISTRICT LIBRARY COMPLEX, SHATIN

The project meets six key aspects of environmentally sensitive design: site aspects, materials use, energy use, water use, indoor environmental quality, as well as innovations and additions. According to research carried out by the Hong Kong Green Building Council, buildings with a BEAM Plus Platinum rating on average consume 30% less energy and 39% less water than the baseline values.

The complex will use building-integrated photovoltaics (BIPV) panels on the library block roof generating a predicted 10 megawatt-hours a year from solar energy. It will feature high-performance water-cooled chillers, over 1,800 square metres of vertical fin shading, and numerous other features that represent the most modern technology and design. ‘Soft landscaping’ will cover 35.6% of the site area. This makes the use of trees, shrubs and flowers and includes vegetative horizontal and vertical elements of the building itself.

The project is due for completion in 2015.

Provisional Platinum rating under BEAM Plus V1.1

Sports Centre, Community Hall and District Library Complex in Shatin

CARBON FOOTPRINT

Minimising carbon emissions is central to the Group's concern with global climate change. By measuring the extent of our carbon footprint in relation to works in progress, and our building design and general office practices, we are able to identify major sources of greenhouse gas (GHG) emissions and thereby instigate effective reduction measures. These include promoting the use of cleaner energy sources and renewable energy and ensuring energy efficiency and conservation. We also encourage afforestation and promote employee awareness.

SOCAM has been verified for the GHG emissions and removals in accordance with ISO 14064 which specifies methodology and requirements for reporting GHG emissions.

REPORTED GHG EMISSION DATA (tonnes CO_2e)	2013	**2014**
Direct Emissions	805	**1,277**
Energy Indirect Emissions	1,237	**1,934**
Other Indirect Emissions	35,454	**74,148**
TOTAL	37,497	**77,360**

Total GHG emission is ever dependent on project activity, and development in different stages of construction. 2014 was an exceptional year in terms of the consumption of steel and concrete over four substantial sites of the Group.

SOCAM continued to implement GHG emission reduction measures during the year, including:

- Reduction of the number of trips by dump trucks through implementation of waste management plans
- Regular maintenance of all site equipment to enhance operational performance, energy efficiency and working life span
- Use of the three-colour bin system to facilitate recycling by waste composition
- Refueling with ultra-low sulphur diesel in all plant machinery to reduce pollution

WASTE MANAGEMENT

To maximise the use of construction materials and cut back on waste, an online platform for materials exchange between construction sites continues to yield recycling dividends. In 2014, we have advanced our use of aluminium slabform, 70% of which can be disassembled and employed on other sites. This reduces dependence on timber framework and helps to conserve forest resources.

By subscribing to and meeting ISO 50001 Energy Management protocols, we adopt on-site and office energy management plans through a series of baseline performance indicators and energy targets, supported by regular audits and comprehensive training for staff. We use devices like timer controls and motion sensors for electrical appliances and lighting systems, adoption of LED lighting, and solar power water heater systems.

GREEN ENGAGEMENT

Education plays it part. The Group helps foster a sense of social responsibility and to think green among our staff and the wider community through creative initiatives. In 2014, various green education campaigns were organised:

- Green office campaigns: a series of promotional display and energy saving competition were used to enhance our colleagues' environmental awareness.
- Recycling campaigns were organised on a regular basis for the collection of used red pockets, moon-cake boxes, books and computers.
- Organised eco tours and tree planting activities to promote the appreciation of nature.

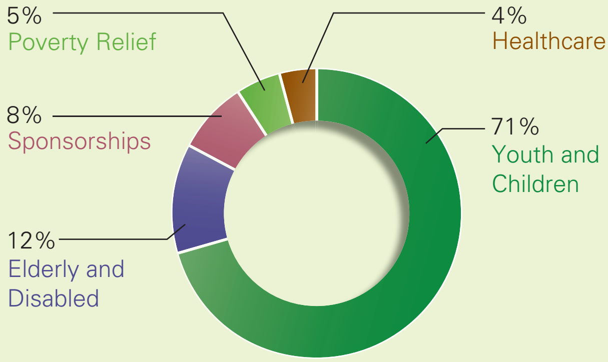
CARING FOR THE COMMUNITY

SOCAM's community involvement covers charitable donations and corporate sponsorships that contribute to the communities in which we operate. We also actively encourage our employees to participate in volunteer work, predominantly focusing on youth development and care for the elderly over the years.

As a company with strong roots in Hong Kong, SOCAM has always valued our relationship with the stakeholders. We support fund-raising events organised by various Non-Governmental Organisations and charities in Hong Kong and the Chinese Mainland. In 2014, as part of SOCAM's commitment to 'Caring for the Community', we donated approximately HK$2.9 million to different community causes with a focus on children, young people and those with special needs.

In terms of volunteering, the Shui On Seagull Club has, since 1982, proven to be effective in motivating and mobilising staff in the fellowship of goodwill for the benefit of the community. In 2014, 512 SOCAM participants gave 3,602 hours in support of charitable events.

CORPORATE DONATIONS BY COMMUNITY CAUSES



SUPPORTING YOUTH DEVELOPMENT

Youth Mentorship Programme

Supporting opportunities for youth development has long been an important focus of the Group's corporate social responsibility programme. Over the years, SOCAM has been privileged to be able to provide our support and reach out to young people. In 2014 we have donated to, among others, the following initiatives:

The Hong Kong Federation of Youth Groups – Travel Mission Project

The Travel Mission Project is a travel programme that invites 18-35 year-olds to submit proposals for creative ideas to fulfill a social mission during a fully-subsidised overseas trip. It allows participants to display initiative and planning and see the world. One such SOCAM-sponsored mission was to recruit young volunteers in Hong Kong to meet and mentor children at Cambodian orphanages.

Lin Yao Ji Music Foundation of China – School Outreach Program

Sponsorship for young musicians from six schools. The Foundation is in the pilot stages of teaming up with selected local schools in developing and supporting their music curriculum.

Commission on Poverty, HKSAR – Upward Mobility Scholarship

Six scholarships are awarded to less privileged students from secondary schools, special schools and vocational training schools who have shown marked progress in personal development, or have demonstrated resilience and a positive attitude in the face of adversity.

CARING FOR THE ELDERLY AND DISADVANTAGED

Visit to the Elderly for Mid-Autumn Festival

Caring for the elderly continues to be a growing concern in both Hong Kong and the Chinese Mainland. Building outreach relationships with our older citizens, particularly those with mobility problems and those living alone, continues to be one of the most worthwhile contributions we can make to society.

Our volunteers devote their time to making regular home visits and organising gatherings for the elderly, particular during festive seasons. Shui On Seagull Club is a long-term partner with the Young Women's Christian Association (YWCA) to provide services to care for the elderly living in Sham Shui Po district in Hong Kong. We also organise outings for the elderly to foster a sense of community and help reduce their feeling of isolation.

Upholding the same commitment, our project offices in the Chinese Mainland are active in reaching out to the elderly in the communities in which we operate. Regular home visits were paid to the elderly, particularly in rural areas to provide daily necessities, and during festivals.

In addition to the elderly, SOCAM also reaches to the disabled. Our volunteers joined the 'Night Orienteering Adventure' organised by Unleash Foundation where we teamed up with the disabled and finished orienteering activities. Volunteers from our Chinese Mainland office also paid visit to the local rehabilitation station.

OUR VOLUNTEER TEAM

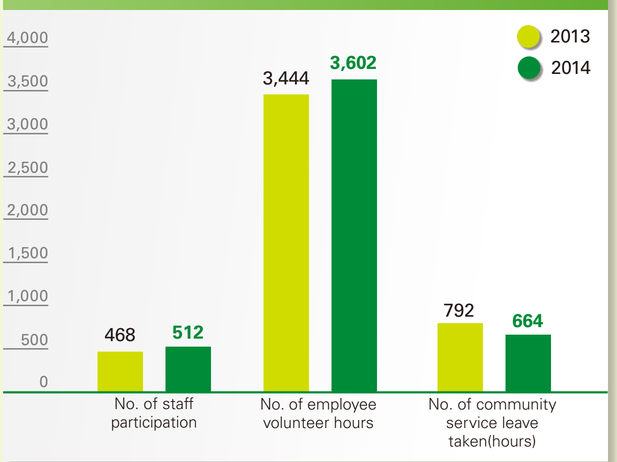
We continued to extend our presence in local community development through addressing social needs and help neighbouring communities to solve difficulties in life. In Hong Kong, working hand-in-hand with the Hong Kong Family Welfare Society, we served children with special education needs through drama training in order to explore their future in innovative ways. Our volunteers joined a large-scale voluntary event 'Stargaze Camp' organised by some 70 corporations, NGOs and Institutes along with the Social Welfare Department where we gave on-day logistics support and took care of the participants to promote mutual support. Our volunteers also joined and supported the Rehabilitation Sports Day organised by the Hong Kong PHAB Association to promote sports and social inclusion.

Other major activities included participation in youth mentorship programmes to progressively lead a positive outcome for the youths, taking disadvantaged youngsters on days out, raising money for the disadvantaged through the Group's annual charity walk, and engagement in charity sports races, football matches and book fairs.

In 2014, SOCAM organised 15 volunteering events to help those in need. The company also promotes outreach activities during the working week under SOCAM'S community service leave policy. In 2014, this helped to boost our voluntary service time and number of staff participation.

In view of the continuous commitment to the local community, SOCAM was invited to be a Member of the Social Welfare Department subcommittee on Promotion of Corporate Volunteering.

EMPLOYEE VOLUNTEERING



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

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

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

THE BOARD

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company, and the Directors are collectively responsible for promoting the success of the Company by directing and supervising its affairs and overseeing the achievement of strategic plans to enhance shareholders' value. Directors are expected to make decisions objectively in the interests of the Company.

The Board is responsible for all major aspects of the Company's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, internal control and risk management systems, material transactions (including, in particular, those which may involve conflicts of interest), major capital expenditure, appointment of Directors and Board Committee members, and other significant financial and operational matters. The Board also plays a central support and supervisory role in the Company's corporate governance duties to ensure the Company maintains a sound governance framework for long-term sustainable shareholders' value.

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

The relevant roles of the Board and management and their relationships are clearly delineated, and functions reserved to the Board and those delegated to management are set out in a Board Charter adopted in 2008 upon the recommendation of an external consultant following a Board evaluation. The Board Charter is reviewed by the Board annually to ensure that it remains appropriate to meet the Company's needs.

Composition

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

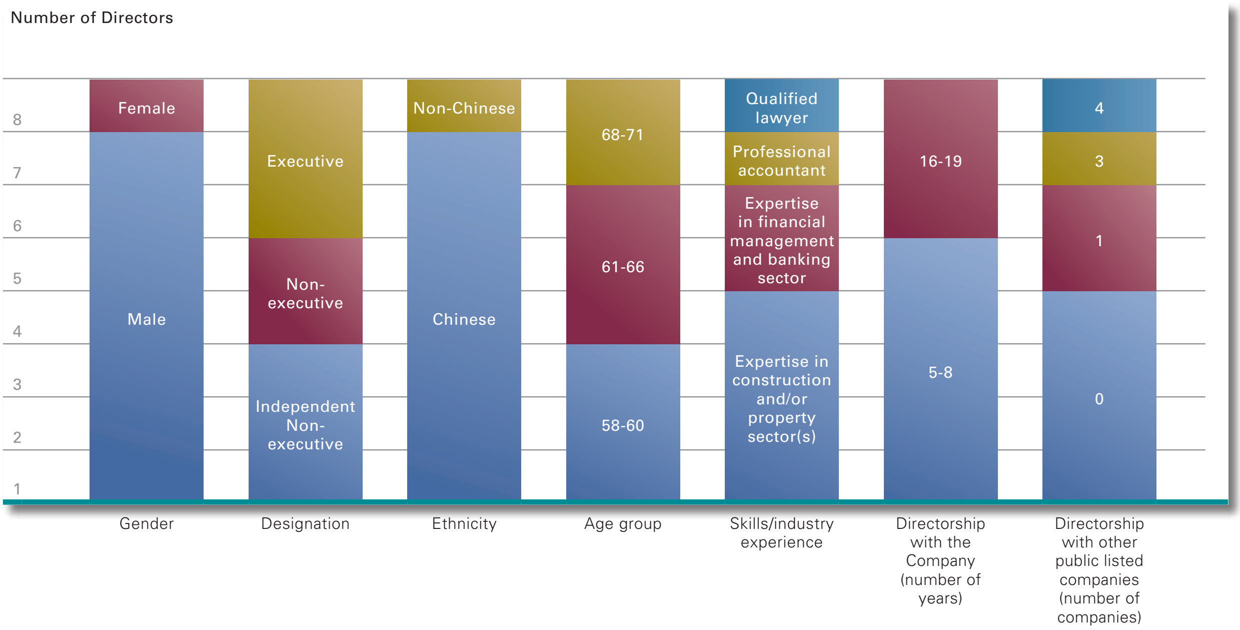
Executive Directors:
Mr. Lo Hong Sui, Vincent *(Chairman)*
Mr. Choi Yuk Keung, Lawrence *(Vice Chairman and Managing Director)*
Mr. Wong Fook Lam, Raymond *(Managing Director and Chief Financial Officer)*
Non-executive Directors:
Mr. Wong Kun To, Philip
Mr. Tsang Kwok Tai, Moses
Independent Non-executive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

Mr. Wong Yuet Leung, Frankie did not stand for re-appointment as a Non-executive Director of the Company upon expiration of the term of his service contract, and stepped down from the Board with effect from 1 September 2014. In addition, Mr. Tsang Kwok Tai, Moses was re-designated from the role of Independent Non-executive Director to Non-executive Director of the Company with effect from 8 September 2014.

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

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

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



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

Chairman and Managing Directors

The distinct roles of the Chairman and the Managing Directors are acknowledged. Their respective responsibilities are clearly defined in the Board Charter.

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

The Vice Chairman and Managing Director is responsible for leading the management and day-to-day operation of the business divisions to achieve their business and financial targets, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board, including the maintenance of a strong corporate culture and staff morale within the Group during the course of the assets monetisation for the benefits of the Company's shareholders. The Managing Director and Chief Financial Officer takes full responsibilities for all financial matters and assists the Vice Chairman and Managing Director in the execution of the strategies and policies.

Appointment, re-election and removal of Directors

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

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

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

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

In accordance with the Bye-laws of the Company, Mr. Wong Fook Lam, Raymond, Mr. Wong Kun To, Philip and Mr. Gerrit Jan de Nys shall retire by rotation at the forthcoming annual general meeting of the Company to be held on 29 May 2015. Except for Mr. Wong Kun To, Philip who does not stand for re-election, both the said Directors, being eligible, will offer themselves for re-election at the annual general meeting.

Board Committees

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

Each of these Committees has been established with written terms of reference, which were approved by the Board, setting out the Committee's major duties. The terms of reference of the Committees are reviewed by the Board from time to time to cope with any regulatory changes and the needs of the Company. The updated terms of reference of the various Committees are available on the websites of the Company and the Stock Exchange.

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

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

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

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

Audit Committee

Major roles and functions	Composition	Frequency of meetings
• To review the consolidated financial statements of the Group • To review the accounting policies adopted by the Group and their implementation • To review the effectiveness of the risk management and internal control systems • To oversee the engagement of, services provided by and remuneration of the external auditor and its independence • To review and monitor the effectiveness of the internal audit function	**Independent Non-executive Directors** Mr. Chan Kay Cheung *(Chairman)* Mr. Gerrit Jan de Nys Ms. Li Hoi Lun, Helen (Note 1)	At least four times a year

Remuneration Committee

Major roles and functions	Composition	Frequency of meetings
• To make recommendations to the Board on the policy and structure for remuneration of Directors and senior management • To determine the remuneration package of individual Executive Director • To review and approve performance-based remuneration of Executive Directors with reference to the corporate goals and objectives	**Independent Non-executive Directors** Ms. Li Hoi Lun, Helen *(Chairman)* Mr. Chan Kay Cheung **Executive Director** Mr. Lo Hong Sui, Vincent (Notes 3 to 5)	At least twice a year

Nomination Committee

Major roles and functions	Composition	Frequency of meetings
• To review the structure, size and composition of the Board at least annually • To identify, select and make recommendations to the Board on individuals nominated for appointment as Directors • To assess the independence of Independent Non-executive Directors • To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors • To review annually the time commitment required of Directors • To review the Board Diversity Policy and monitor its implementation	**Executive Director** Mr. Lo Hong Sui, Vincent *(Chairman)* **Independent Non-executive Directors** Mr. Gerrit Jan de Nys Mr. Chan Kay Cheung (Notes 3 and 6)	At least once a year

Finance Committee

Major roles and functions	Composition	Frequency of meetings
• To set overall financial objectives and strategies for the Group • To adopt a set of financial policies for the Group and oversee its consistent application throughout the Group • To review funding for investment projects/ major capital expenditures to be undertaken and advise on the financing viability of the investment projects/major capital expenditures • To monitor cash flow and review financing requirements of the Group and compliance of bank loan covenants	**Independent Non-executive Directors** Mr. Gerrit Jan de Nys *(Chairman)* Mr. Chan Kay Cheung **Executive Director** Mr. Wong Fook Lam, Raymond **Non-executive Director** Mr. Tsang Kwok Tai, Moses (Notes 1 and 2)	At least four times a year

Investment Committee

Major roles and functions	Composition	Frequency of meetings
• To review preliminary and detailed investment and disposal recommendations on target property projects and projects currently owned by the Group respectively • To make recommendation to the Board as to whether the Group should acquire a property project or, as the case may be, dispose of a property project and if so, the terms, timing and strategy • To review the overall investment/divestment strategy of the Group, make recommendation to the Board on any proposed change to the strategy, and to monitor its implementation	**Executive Directors** Mr. Choi Yuk Keung, Lawrence *(Chairman)* Mr. Wong Fook Lam, Raymond **Independent Non-executive Directors** Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung	On an as needed basis

Executive Committee		
Major roles and functions	**Composition**	**Frequency of meetings**
• To monitor the macro business environment and market trends with respect to the current and potential business areas of the Group • To evaluate and set business strategies for ensuring the long-term growth and competitiveness of the core business of the Group • To formulate corporate goals and plans and allocate human and financial resources for execution • To monitor the execution of approved strategies and business plans • To review and approve acquisitions and disposals of assets in the ordinary course of business with investment costs/net book values not exceeding certain thresholds • To review the operating performance and financial position of the Company and its strategic business units on a monthly basis	**Executive Directors** Mr. Choi Yuk Keung, Lawrence *(Chairman)* Mr. Lo Hong Sui, Vincent Mr. Wong Fook Lam, Raymond **Other key executives**	Monthly

Notes:

1. Mr. Wong Yuet Leung, Frankie ceased to be a member of the Audit Committee as well as a member and the Chairman of the Finance Committee following his stepping down from the Board with effect from 1 September 2014.
2. Mr. Gerrit Jan de Nys, an Independent Non-executive Director of the Company and a member of the Finance Committee, was appointed as the Chairman of the Finance Committee with effect from 1 September 2014.
3. Mr. Tsang Kwok Tai, Moses ceased to be a member and the Chairman of the Remuneration Committee as well as a member of the Nomination Committee following his re-designation from the role of Independent Non-executive Director to Non-executive Director of the Company with effect from 8 September 2014.
4. Ms. Li Hoi Lun, Helen, an Independent Non-executive Director of the Company and a member of the Remuneration Committee, was appointed as the Chairman of the Remuneration Committee with effect from 8 September 2014.
5. Mr. Chan Kay Cheung, an Independent Non-executive Director of the Company, was appointed as a member of the Remuneration Committee with effect from 8 September 2014.
6. Mr. Choi Yuk Keung, Lawrence, the Vice Chairman and Managing Director of the Company, ceased to be a member of the Nomination Committee with effect from 8 September 2014.

The work performed by the Audit Committee, the Remuneration Committee and the Nomination Committee during the year are summarised in the Audit Committee Report, the Remuneration Committee Report and the Nomination Committee Report respectively.

Board and Board Committee meetings

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

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

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

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

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

Access to information

Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Management has an obligation to supply to the Board and its Committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. A Director's portal has been in place to facilitate online access to information needed by Board members, including all papers and minutes for the meetings of the Board and its Committees and the monthly management updates on the Group's financials. Each Director also has separate and independent access to management.

Directors' commitment

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

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

	Number of meetings attended/entitled to attend							
Name of Director	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meeting	Finance Committee meetings	Executive Committee meetings	Annual general meeting	Special general meetings
Mr. Lo Hong Sui, Vincent	5/6	N/A	3/3	1/1	N/A	11/11	1/1	0/3
Mr. Choi Yuk Keung, Lawrence (Note 1)	6/6	N/A	N/A (Note 2)	1/1	N/A	10/11	1/1	1/3
Mr. Wong Fook Lam, Raymond	6/6	N/A (Note 3)	N/A (Note 2)	N/A	4/4	10/11	1/1	3/3
Mr. Wong Kun To, Philip	3/6	N/A	N/A	N/A	N/A	N/A	1/1	0/3
Mr. Tsang Kwok Tai, Moses (Note 4)	6/6	N/A	2/2	1/1	4/4	N/A	1/1	2/3
Mr. Gerrit Jan de Nys	6/6	4/4	N/A	1/1	4/4	N/A	1/1	1/3
Ms. Li Hoi Lun, Helen	6/6	4/4	3/3	N/A	N/A	N/A	1/1	2/3
Mr. Chan Kay Cheung (Note 5)	6/6	4/4	1/1	1/1	4/4	N/A	1/1	3/3
Mr. Wong Yuet Leung, Frankie (Note 6)	4/4	3/3	N/A	N/A	3/3	N/A	1/1	2/2

Notes:

1. Mr. Choi Yuk Keung, Lawrence ceased to be a member of the Nomination Committee with effect from 8 September 2014.
2. By invitation, Mr. Choi Yuk Keung, Lawrence and Mr. Wong Fook Lam Raymond, as the Managing Directors, attended a meeting of the Remuneration Committee.
3. By invitation, Mr. Wong Fook Lam, Raymond, as the Chief Financial Officer, attended all meetings of the Audit Committee.
4. Mr. Tsang Kwok Tai, Moses stepped down from the Remuneration Committee and the Nomination Committee with effect from 8 September 2014.
5. Mr. Chan Kay Cheung was appointed as a member of the Remuneration Committee with effect from 8 September 2014.
6. Mr. Wong Yuet Leung, Frankie stepped down from the Board as well as from the Audit Committee and the Finance Committee with effect from 1 September 2014.
7. During the year, no meeting was held by the Investment Committee and all matters were dealt with by the Committee by written resolutions signed by all Committee members.

Induction, training and continuous professional development

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

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

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

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

Participating Directors	Seminar in March 2014 (Note 1)	Seminar in August 2014 (Note 2)
Mr. Lo Hong Sui, Vincent	✓	✓
Mr. Choi Yuk Keung, Lawrence	✓	✓
Mr. Wong Fook Lam, Raymond	✓	✓
Mr. Wong Kun To, Philip	✗	✓
Mr. Tsang Kwok Tai, Moses	✓	✓
Mr. Gerrit Jan de Nys	✓	✓
Ms. Li Hoi Lun, Helen	✓	✓
Mr. Chan Kay Cheung	✓	✓
Mr. Wong Yuet Leung, Frankie (stepped down on 1 September 2014)	✓	✓

Notes:

1. Seminar on directors' duties and fair dealing by directors under the new Hong Kong Companies Ordinance, presented by an external solicitor
2. Seminar on changes to the Listing Rules in relation to connected transactions, presented by an external solicitor

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

The Board also recognises the importance of ongoing professional development of senior management so that they can continue contributing to the Company. To keep them abreast of the market development and applicable rules and regulations for the fulfilment of their duties and responsibilities, the Company has in place a programme for continuous professional development of senior management. Such programme is reviewed by the Board annually to ensure its effectiveness, and all members of senior management are required to provide the Company with the records of the training they received annually.

Performance evaluation

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

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

Directors' insurance

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

THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2014.

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

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment in respect of annual and interim reports, announcements of inside information and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for each financial period.

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

Annual report and financial statements

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

Accounting policies

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

Accounting records

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

Safeguarding assets

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

Going concern

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

AUDITOR'S REMUNERATION

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

For the year ended 31 December 2014, the remuneration payable to the external auditor of the Company in respect of audit services and non-audit services amounted to approximately HK$5.3 million and HK$2.5 million respectively. The costs incurred for the non-audit services represented professional fees mainly in connection with the review of interim accounts and continuing connected transactions, and tax advisory services.

INTERNAL CONTROL SYSTEMS

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

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

The Board has conducted a review of the Company's internal control systems for the year ended 31 December 2014, including financial, operational and compliance controls and risk management functions and assessed the effectiveness of internal control systems by considering the work performed by the Audit Committee, executive management, external consultants and internal auditors.

Internal audit

The internal audit function, which is fully independent of the daily operations of the Group, is carried out by the Company's Corporate Evaluation Department, the senior executive in charge of which reports directly to the Audit Committee, and at the Audit Committee's instruction, briefs the Managing Directors on the results of all internal audit assignments. The Managing Directors, with the approval of the Audit Committee, may instruct the senior executive in charge of the Corporate Evaluation Department to undertake internal audit activities of an urgent or sensitive nature. All other Directors are informed of the findings of these assignments. The Department is closely involved in the assessment of the quality of risk management of the Group and during the year reviewed the effectiveness of the formal risk management system as well as the effectiveness of the Group's internal controls. When considered appropriate and with the approval of the Audit Committee, certain review work is outsourced because of the need for assistance of specialists or due to the high volume of work to be undertaken during a specific period of time.

The senior executive in charge of the Corporate Evaluation Department attends all Audit Committee meetings. Four meetings were held by the Audit Committee in 2014 and details of the major areas reviewed are set out in the Audit Committee Report. The Audit Committee regularly reviews the key performance indicators relating to the work of the Corporate Evaluation Department.

Internal control

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

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

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

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

SHAREHOLDER AND INVESTOR RELATIONS

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

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

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

CONSTITUTIONAL DOCUMENTS

No changes have been made to the Memorandum of Association and Bye-laws of the Company during the year. The latest version of the Company's Memorandum of Association and Bye-laws is available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE ENHANCEMENT

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

On behalf of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 26 March 2015

AUDIT COMMITTEE REPORT

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

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

Mr. Wong Yuet Leung, Frankie stepped down as a Non-executive Director of the Company, and accordingly from the Audit Committee, with effect from 1 September 2014. All the remaining Committee members are Independent Non-executive Directors of the Company, with the Chairman having the appropriate professional qualifications as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). No member of the Audit Committee is a former partner of the Company's existing external auditor. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public listed companies.

MEETING ATTENDANCE

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

Name of Committee member	Number of meetings attended/ entitled to attend
Mr. Chan Kay Cheung	4/4
Mr. Gerrit Jan de Nys	4/4
Ms. Li Hoi Lun, Helen	4/4
Mr. Wong Yuet Leung, Frankie (stepped down on 1 September 2014)	3/3

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

ROLE AND DUTIES

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

SUMMARY OF WORK DONE

During the year, the Audit Committee:

- reviewed and discussed with management and external auditor the audited consolidated financial statements of the Group for the year ended 31 December 2013 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related final results announcement, with a recommendation to the Board for approval after due consideration given to the matters raised by staff responsible for the accounting and financial reporting, compliance and internal audit functions;
- reviewed the disclosures in the Corporate Governance Report and the Audit Committee Report included in the 2013 Annual Report of the Company, with a recommendation to the Board for approval;
- reviewed and discussed with management and external auditor the unaudited consolidated financial statements of the Group for the six months ended 30 June 2014 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related interim results announcement, with a recommendation to the Board for approval;
- reviewed and considered the reports and management letters submitted by the external auditor, which summarised matters arising from its audit of the Group's consolidated financial statements for the year ended 31 December 2013 and its review of the Group's consolidated financial statements for the six months ended 30 June 2014;

- reviewed and considered the reports of the Corporate Evaluation Department on the business risks and the operational and financial controls of selected property projects of the Group in the Chinese Mainland;
- reviewed and considered the reports of the Corporate Evaluation Department on the operational and financial controls of the Group's construction and fitting-out business in Hong Kong and the Chinese Mainland;
- reviewed and considered the reports of the Corporate Evaluation Department on the banking facilities granted to the Group and property inventories readily available for strata-title sale;
- reviewed and considered the report of the Corporate Evaluation Department on the access controls and intrusion test concerning the information technology system of the Company;
- considered and endorsed the proposed amendments to the Company's policy on connected transactions, with a recommendation to the Board for approval;
- reviewed the quarterly reports of the Corporate Evaluation Department on connected transactions, including the compliance of the Company's policy on connected transactions;
- conducted an annual review of the Company's policy on engaging non-audit services from external auditor and the whistle-blowing policy of the Company;
- reviewed and considered the adequacy of the Group's provisions for doubtful debts on a quarterly basis;
- reviewed and considered the scope of work and fee proposals of the external auditor for the review of the Group's consolidated financial statements for the six months ended 30 June 2014 and for the audit of the Group's consolidated financial statements for the year ended 31 December 2014;
- reviewed the key performance indicators and annual work programme of the Corporate Evaluation Department as well as its work progress, staffing and resources planning; and
- conducted a high level review of the effectiveness of the internal control systems of the Group (covering financial, operational and compliance controls and risk management functions) at the year-end by considering the work of the executive management and the Corporate Evaluation Department, including a review of the adequacy of resources, staff qualifications and experience, and training programmes and budget of the Company's accounting and financial reporting function.

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

The Committee reviews the Group's risk management policy and internal control systems annually. The Committee also examines the Group's systems and policies for assessing, and taking appropriate actions to contain, the different types of risk in its various operations as part of the Committee's ongoing review of the adequacy of the Group's internal controls.

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

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

Subsequent to the financial year end, the Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2014, including the accounting principles and practices adopted by the Group, in conjunction with the external auditor, with a recommendation to the Board for approval.

The Committee was satisfied with the external auditor's work, its independence and objectivity, and therefore recommended the re-appointment of Deloitte Touche Tohmatsu as the Company's external auditor for 2015 for shareholders' approval at the forthcoming annual general meeting of the Company.

Chan Kay Cheung
Chairman, Audit Committee

Hong Kong, 26 March 2015

REMUNERATION COMMITTEE REPORT

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

Ms. Li Hoi Lun, Helen *(Chairman)*
Mr. Lo Hong Sui, Vincent
Mr. Chan Kay Cheung

The composition of the Remuneration Committee was changed during the year. Mr. Tsang Kwok Tai, Moses stepped down as a member and the Chairman of the Committee with effect from 8 September 2014 following his re-designation from the role of Independent Non-executive Director to Non-executive Director of the Company. Ms. Li Hoi Lun, Helen, an existing member of the Committee, was appointed as the Chairman of the Committee to succeed Mr. Tsang. In addition, Mr. Chan Kay Cheung was appointed as a member of the Committee with effect from the same date.

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

MEETING ATTENDANCE

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

Name of Committee member	Number of meetings attended/ entitled to attend
Ms. Li Hoi Lun, Helen	3/3
Mr. Lo Hong Sui, Vincent	3/3
Mr. Chan Kay Cheung (appointed on 8 September 2014)	1/1
Mr. Tsang Kwok Tai, Moses (stepped down on 8 September 2014)	2/2

Where appropriate, the Company's Managing Directors and human resources adviser attend meetings of the Committee by invitation. The Company Secretary acts as the secretary to the Committee.

ROLE AND DUTIES

The Remuneration Committee has specific terms of reference, which are available on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Remuneration Committee is given the tasks to:

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

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

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

REMUNERATION POLICY

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

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

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

- the balance between short-term and long-term elements of remuneration is important and should be retained;
- salary levels will continue to be reviewed regularly against those in companies of a similar size or nature listed on the Stock Exchange; and
- emphasis will be given to corporate and individual performance, taking into account the respective responsibilities of the Executive Directors, who will be rewarded by bonus payable for achievement of stretch targets and the grant of share options.

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

REMUNERATION STRUCTURE

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

The Managing Directors are sharing the full accountability for the performance of the Company. As approved by the Remuneration Committee, the salary and bonus components of the remuneration of the Managing Directors are set to be normally related to their aggregate total cash remuneration as follows:

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

In view of the shared accountability of the Managing Directors in achieving the Company's targets, their bonuses are 100% based on company performance. Where appropriate, to recognise the contributions of the Managing Directors, the bonus element could be increased relative to performance delivered by up to twice the amount that would be given normally and, subject to the corporate strategy adopted for the period, the Remuneration Committee could exercise its discretion to award a special bonus to the Managing Directors if company performance and/or individual efforts are deemed exceptional.

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

SHARE OPTIONS

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

Annual grants

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

Long-term incentive ("LTI") grants

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

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

In 2011, the Committee further reviewed the LTI scheme for award of share options and recommended the Board to adopt a new LTI plan which aimed at aligning management interests with the overall achievement of a 3-year strategic plan of the Group to promote significant and integrated growth in the coming years. With the shareholders' approval at a special general meeting of the Company, share options were granted to certain Executive Directors and selected key executives in 2011 pursuant to the new LTI plan (the "2011 LTI Grant"). Vesting of such share options was based on, in the case of grants to Executive Directors, the achievement of corporate performance targets covering the three major areas of financial performance, project-specific achievements and future growth potential and, in the case of grants to selected key executives, both the achievement of the said corporate performance targets as well as individual performance, over a period of 3.5 years from 1 July 2011 to 31 December 2014. During 2014, the Remuneration Committee conducted its assessment of the Company's performance to date in accordance with the provisions of the 2011 LTI Grant and determined that all those portions of options whose vesting was conditional upon the achievement of corporate performance targets (the "Corporate Grant Options") would not vest, which options were then cancelled by the Board upon the recommendation of the Remuneration Committee. All those portions of options whose vesting was based on individual performance were maintained through to the end of the 3.5-year performance period on 31 December 2014, subsequent to which the Committee determined their vesting and made a recommendation for Board approval pursuant to the terms of the 2011 LTI Grant.

Details of the outstanding share options granted by the Company under the annual grants and the LTI grants are set out in the Directors' Report.

REMUNERATION OF DIRECTORS

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

Name of Director	Fees (Note 1) HK$'000	Salary and other benefits HK$'000	Performance Bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Value of share options granted (Note 2) HK$'000	For the year ended 31 December 2014 Total HK$'000	For the year ended 31 December 2013 Total HK$'000
Executive Directors							
Mr. Lo Hong Sui, Vincent	10	–	–	–	–	10	10
Mr. Choi Yuk Keung, Lawrence (Note 3)	10	4,741	–	627	(1,175)	4,203	5,714
Mr. Wong Fook Lam, Raymond (Note 3)	10	4,441	–	580	(1,178)	3,853	5,328
Non-executive Directors							
Mr. Wong Kun To, Philip	250	–	–	–	(1,962)	(1,712)	6,054
Mr. Tsang Kwok Tai, Moses (re-designated from Independent Non-executive Director to Non-executive Director on 8 September 2014)	380	–	–	–	–	380	410
Mr. Wong Yuet Leung, Frankie (stepped down on 1 September 2014)	280	–	–	–	–	280	405
Independent Non-executive Directors							
Mr. Gerrit Jan de Nys	430	–	–	–	–	430	420
Ms. Li Hoi Lun, Helen	434	–	–	–	–	434	425
Mr. Chan Kay Cheung	571	–	–	–	–	571	560
TOTAL	2,375	9,182	–	1,207	(4,315)	8,449	19,326

Notes:

1. According to the fee schedule as approved by the Board, each Executive Director is entitled to an annual fee of HK$10,000 while a Non-executive Director or an Independent Non-executive Director is entitled to an annual fee of HK$250,000. In addition, a Non-executive Director or an Independent Non-executive Director also received an annual fee for his chairmanship or membership in each of the Board Committees for the year ended 31 December 2014 as set out below:

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

2. The amount included credit adjustments made in relation to the cancellation of the Corporate Grant Options of the 2011 LTI Grant during the year.
3. With effect from 1 January 2015, the annual salaries and allowances of Mr. Choi Yuk Keung, Lawrence (Vice Chairman and Managing Director) and Mr. Wong Fook Lam, Raymond (Managing Director and Chief Financial Officer) have been adjusted to HK$4,885,200 and HK$4,550,400 respectively upon annual review by the Remuneration Committee.

REMUNERATION OF SENIOR MANAGEMENT

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

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

SERVICE CONTRACTS

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

SUMMARY OF WORK DONE

During the year, the Remuneration Committee:

- considered and determined that no bonus be awarded to the Executive Directors in view of the financial loss of the Company for the year ended 31 December 2013;
- considered and endorsed that no annual grant of share options be made to management staff in view of the financial loss of the Company for the year ended 31 December 2013, with a recommendation to the Board for approval;
- reviewed the preliminary company performance based on the results achieved in 2013 for the 2011 LTI Grant;
- considered and approved the proposed treatment of the 2011 LTI Grant, with a recommendation to the Board for cancellation of the Corporate Grant Options following the Committee's assessment of the Company's performance to date;
- reviewed and endorsed the Remuneration Committee Report included in the 2013 Annual Report of the Company, with a recommendation to the Board for approval; and
- considered and approved the 2015 salary review recommendations for the Managing Directors, taking into account the report of an external consultant on the analysis of executive remuneration in comparable Hong Kong listed companies.

Li Hoi Lun, Helen
Chairman, Remuneration Committee

Hong Kong, 26 March 2015

NOMINATION COMMITTEE REPORT

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

Mr. Lo Hong Sui, Vincent *(Chairman)*
Mr. Gerrit Jan de Nys
Mr. Chan Kay Cheung

The composition of the Nomination Committee was changed during the year. Mr. Tsang Kwok Tai, Moses stepped down as a member of the Committee with effect from 8 September 2014 following his re-designation from the role of Independent Non-executive Director to Non-executive Director of the Company. In addition, Mr. Choi Yuk Keung, Lawrence ceased to be a member of the Committee on the same date.

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

MEETING ATTENDANCE

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

ROLE AND DUTIES

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

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

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

BOARD DIVERSITY POLICY

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

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

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

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

SUMMARY OF WORK DONE

During the year, the Nomination Committee:

- reviewed the structure, size and composition of the Board against the objective criteria as set out in the Board Diversity Policy;
- reviewed the independence of the Independent Non-executive Directors;
- considered the nomination of three retiring Directors for the Board's recommendation to stand for re-election by shareholders at the 2014 annual general meeting of the Company;
- reviewed the time commitment required of Directors to perform their responsibilities to the Company;
- reviewed and endorsed the Nomination Committee Report included in the 2013 Annual Report of the Company, with a recommendation to the Board for approval.
- reviewed and endorsed the revised terms of reference of the Nomination Committee, with a recommendation to the Board for approval;
- considered the renewal of service contract with an Independent Non-executive Director, with a recommendation to the Board for approval;
- considered the re-designation of an Independent Non-executive Director to Non-executive Director and his new service contract, with a recommendation to the Board for approval; and
- considered the proposed changes to the composition of the Finance Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee following the stepping down of a Non-executive Director and the re-designation of an Independent Non-executive Director, with a recommendation to the Board for approval.

Lo Hong Sui, Vincent
Chairman, Nomination Committee

Hong Kong, 26 March 2015

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lo Hong Sui, Vincent

Mr. Choi Yuk Keung, Lawrence

Mr. Wong Fook Lam, Raymond

Mr. Wong Kun To, Philip

EXECUTIVE DIRECTORS

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

aged 66, has been the Chairman of the Company since 1997. He is the Chairman of the Shui On Group, which he founded 44 years ago, and the Chairman of Shui On Land Limited ("SOL"), which he established in 2004 and became listed in Hong Kong in 2006. He is also the Chairman of China Central Properties Limited ("CCP"), a subsidiary of the Company which was privatised in 2009, and a Director of certain other subsidiaries of the Company. Mr. Lo is a member of the Twelfth National Committee of the Chinese People's Political Consultative Conference, the Chairman of the Airport Authority Hong Kong, a non-official member of the Lantau Development Advisory Committee of the Development Bureau of Hong Kong, the President of the Council for the Promotion & Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, a Vice Chairman of the Chamber of International Commerce Shanghai, the Honorary Life President of the Business and Professionals Federation of Hong Kong and an Honorary Court Chairman of The Hong Kong University of Science and Technology. He is currently a Non-executive Director of Great Eagle Holdings Limited and Hang Seng Bank Limited, both of which are listed in Hong Kong.

Mr. Lo was awarded the Gold Bauhinia Star in 1998 and appointed a Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region. He was named Businessman of the Year at the Hong Kong Business Awards in 2001 and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2005. He was honoured with "Ernst & Young China Entrepreneur Of The Year 2009" and also, as "Entrepreneur Of The Year 2009" in the China Real Estate Sector. Mr. Lo was made an Honorary Citizen of Shanghai in 1999 and Foshan in 2011. In 2012, the 4th World Chinese Economic Forum honoured Mr. Lo with the Lifetime Achievement Award for Leadership in Property Sector.

Mr. Choi Yuk Keung, Lawrence

aged 61, has been the Vice Chairman and a Managing Director of the Company since July 2004 and July 2013 respectively, and is also a Director of certain subsidiaries of the Company. Mr. Choi has been an Executive Director of the Shui On Group since 1990. He was appointed Managing Director of the Shui On Group's Construction Division in 1991 and of the Construction Materials Division in 1995. He was the Managing Director of the Company from January 1997 to July 2004 and a Director of SOL from May 2004 to May 2006. Mr. Choi is a member of the Standing Committee of the Eleventh Guizhou Provincial Committee of the Chinese People's Political Consultative Conference. He joined the Shui On Group in 1973 and has over 35 years of experience in construction. He holds a Bachelor of Science degree in Engineering from the University of California, Berkeley.

Mr. Tsang Kwok Tai, Moses

Mr. Gerrit Jan de Nys

Ms. Li Hoi Lun, Helen

Mr. Chan Kay Cheung

Mr. Wong Fook Lam, Raymond

aged 60, has been an Executive Director of the Company since July 2009 and assumed the role of Managing Director since July 2013. He is the Chief Financial Officer of the Company and also a Director of certain subsidiaries of the Company. He joined the Shui On Group in 1989 and was the Finance Director between 1992 and 1995. He was an Executive Director of the Company from 1997 to 2007. In March 2007, Mr. Wong was appointed as an Executive Director of CCP, which was listed on the Alternative Investment Market of the London Stock Exchange plc. Following the privatisation of CCP as a wholly-owned subsidiary of the Company in June 2009, he rejoined the Company to take up the position of Chief Financial Officer. He is one of the Trustees of the Shui On Provident and Retirement Scheme. Prior to joining the Shui On Group, Mr. Wong worked with a leading international accounting firm in their London, Melbourne and Hong Kong offices. He is a Fellow of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and an Associate of The Institute of Chartered Accountants in Australia.

NON-EXECUTIVE DIRECTORS

Mr. Wong Kun To, Philip

aged 58, has been a Non-executive Director of the Company since July 2013. He was appointed as an Executive Director of the Company in July 2009 and subsequently assumed the role of Managing Director and Chief Executive Officer of the Company until June 2013. Mr. Wong started his career in the Shui On Group and worked from 1979 to 1992. He rejoined the Company in 2006 to oversee its Property Division and was the Managing Director of SOCAM Asset Management (HK) Limited from April 2007 to June 2013. Mr. Wong is currently an Executive Director and a Managing Director of SOL, a company listed in Hong Kong. He is also the Chief Executive Officer and a Director of China Xintiandi Limited ("China Xintiandi"), a wholly-owned subsidiary of SOL. Mr. Wong is a member of the Dalian Municipal Committee of the Chinese People's Political Consultative Conference. He holds a Bachelor of Engineering degree and is a member of The Hong Kong Institution of Engineers.

Mr. Tsang Kwok Tai, Moses

aged 66, was appointed as an Independent Non-executive Director of the Company in January 2010 and has been re-designated as a Non-executive Director with effect from 8 September 2014. Mr. Tsang is the Chairman of AP Capital Holdings Inc. and the Chairman and Chief Executive Officer of EC Investment Services Limited. Prior to joining AP Capital Holdings Inc., he was a General Partner of Goldman Sachs Group where he led the establishment of the Fixed Income Group in Tokyo and headed the Debt Syndicate Group in London. He was the Chairman of Goldman Sachs (Asia) L.L.C. between 1989 and 1994, the Chairman and Managing Partner of Ajia Partners Inc. between 2003 and 2010 and a Non-executive Director of North Asia

Strategic Holdings Limited between 2009 and 2010. Mr. Tsang is currently an Independent Non-executive Director of Fubon Bank (Hong Kong) Limited and a Non-executive Director of China Xintiandi. Mr. Tsang serves as Co-chair of the Asia Pacific Council and is a member of the Board of Directors of The Nature Conservancy. He is also a Trustee of The Hong Kong Centre for Economic Research of The University of Hong Kong and a member of the Brown University Advisory Council in Asia.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gerrit Jan de Nys

aged 71, has been an Independent Non-executive Director of the Company since August 2007. He joined the Shui On Group in 1978 as Managing Director of the Construction Materials Division and subsequently also assumed the position of Managing Director of the Construction and Contracting Division, and was appointed Deputy Chairman and Chief Executive of the then publicly listed Shui On (Contractors) Limited in 1988. He left the Shui On Group in 1991 and returned to Australia to set up his own businesses in home building and the leisure industry. In 1994, Mr. de Nys joined the IMC Pan Asia Alliance Group assuming chief executive roles in its subsidiaries and had worked in its Thailand and Singapore offices. He retired from executive responsibilities of the IMC Group in 2006. He is currently a Director of the IMC Resources Group in Australia and the Chairman of the Group Audit Committee of IMC Pan Asia Alliance Corporation. He is also a Non-executive Director of Horizon Oil Limited and, between October 2009 and May 2014, was the Non-executive Chairman of Red Sky Energy Limited, both being companies listed in Australia. Mr. de Nys has extensive experience in construction. He graduated with a Bachelor of Technology degree in Civil Engineering from The University of Adelaide and was a chartered professional engineer. He is a Fellow of the Institution of Engineers, Australia and The Australian Institute of Company Directors.

Ms. Li Hoi Lun, Helen

aged 59, has been an Independent Non-executive Director of the Company since August 2008. She is a qualified lawyer in the jurisdictions of Hong Kong, England and Wales and New South Wales, Australia. She studied law in England and commenced practising law in Hong Kong in 1982. Ms. Li worked in private practice, with emphasis on property, commercial and corporate work with a China focus. Prior to joining the Company, she was employed as an in-house legal counsel for the companies, and an Executive Director of the property arm, of the Shui On Group and took early retirement in 2005.

Mr. Chan Kay Cheung

aged 68, has been an Independent Non-executive Director of the Company since January 2010. Mr. Chan is a Senior Advisor of The Bank of East Asia, Limited ("BEA"), the Vice Chairman of The Bank of East Asia (China) Limited and the Chairman of Shaanxi Fuping BEA Rural Bank Corporation. He possesses extensive knowledge and experience in the banking industry. Mr. Chan joined BEA in 1965 and was appointed as an Executive Director and Deputy Chief Executive of BEA in 1996 and 1997 respectively. He retired from BEA in May 2007 after serving it for over 41 years. Mr. Chan is a Fellow of The Hong Kong Institute of Bankers, a member of the Process Review Committee for the oversight of Hong Kong Monetary Authority, a member of The Clearing and Settlement Systems Appeals Tribunal, a member of the Committee of Overseers of Lee Woo Sing College of The Chinese University of Hong Kong, a member of The China UnionPay International Advisory Group and an International Senior Economic Consultant of The People's Government of Shaanxi Province. He is also an Independent Non-executive Director of China Electronics Corporation Holdings Company Limited, Chu Kong Shipping Enterprises (Group) Company Limited, Dah Chong Hong Holdings Limited and Hong Kong Food Investment Holdings Limited, all of which are listed in Hong Kong.

SENIOR MANAGEMENT

Mr. Lee Wing Kee, Stephen

aged 62, is the Deputy Managing Director of SOCAM Asset Management (HK) Limited and a Director of Shui On Building Contractors Limited and Shui On Construction Company Limited. He has been working in the Shui On Group since 1985 and has over 35 years of experience in construction. Mr. Lee is currently a Council member of The Hong Kong Construction Association, Limited. He holds a Bachelor of Science degree in Civil Engineering and is a chartered civil engineer.

Mr. Li Chi Keung, Evans

aged 53, is the Director – Corporate Finance of the Company. He joined the Shui On Group in 1991 and has over 30 years of accounting, finance and company secretarial experience. He holds a Master's degree in Business Administration from the University of Leicester. He is a Fellow of The Association of Chartered Certified Accountants and an Associate of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Mr. Wong Shing Chuen, Leonard

aged 54, is an Executive Director of SOCAM Asset Management (HK) Limited. He joined the company in 2007 and has over 30 years of experience in the property development and construction industry. He is on the panel of arbitrators of the China International Economic and Trade Arbitration Commission. He is also an accredited mediator of the Hong Kong International Arbitration Centre. He holds a Master's degree in Arbitration and Dispute Resolution from the City University of Hong Kong and an Associateship in Building Technology and Management from The Hong Kong Polytechnic University. He is a Fellow of both The Chartered Institute of Building and the Chartered Institute of Arbitrators. He is also a member of The Hong Kong Institution of Engineers.

Mr. Ng Yat Hon, Gilbert

aged 54, is an Executive Director of Pat Davie Limited, specialising in interior fitting out and renovation in Hong Kong and Macau. He joined the Shui On Group in 1996 and has over 30 years of experience in construction. He holds a Bachelor's degree in Civil Engineering from The University of Manchester and a Master's degree in Project Management from The University of New South Wales. He is a chartered civil engineer.

Mr. Chan Ngai Shing, David

aged 60, is an Executive Director of Shui On Building Contractors Limited and Shui On Construction Company Limited. He joined the Shui On Group in 1989 and has over 30 years of experience in construction. Mr. Chan is currently a Council member of The Hong Kong Construction Association, Limited and a Vice Chairman of its Building Committee. He holds a Master's degree in Civil Engineering from the McMaster University and is a chartered civil engineer. He is a Fellow of The Hong Kong Institution of Engineers and a member of the Hong Kong Institute of Real Estate Administrators.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries, joint ventures and associates are set out in notes 43, 44 and 45 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.

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity.

At 31 December 2014, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK$415 million.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

Mr. Wong Kun To, Philip
Mr. Tsang Kwok Tai, Moses (re-designated from Independent Non-executive Director to Non-executive Director on 8 September 2014)
Mr. Wong Yuet Leung, Frankie (stepped down on 1 September 2014)

Independent Non-executive Directors:

Mr. Gerrit Jan de Nys
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung

In accordance with Bye-law 87(1) of the Bye-laws of the Company, Mr. Wong Fook Lam, Raymond, Mr. Wong Kun To, Philip and Mr. Gerrit Jan de Nys shall retire by rotation at the forthcoming annual general meeting ("AGM") of the Company to be held on 29 May 2015. Except for Mr. Wong Kun To, Philip who does not stand for re-election, both the said Directors, being eligible, will offer themselves for re-election at the AGM.

No Director proposed for re-election at the AGM has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

At 31 December 2014, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(1) Long position in the shares of the Company

	Number of ordinary shares				Approximate percentage of the issued share capital
Name of Director	Personal interests	Family interests	Other interests	Total	
Mr. Lo Hong Sui, Vincent	–	312,000 (Note 1)	234,381,000 (Note 2)	234,693,000	48.44%
Mr. Choi Yuk Keung, Lawrence	540,000	–	–	540,000	0.11%
Mr. Wong Fook Lam, Raymond	32,000	–	–	32,000	0.01%

Notes:

1. These shares were beneficially owned by Ms. Loletta Chu ("Mrs. Lo"), the spouse of Mr. Lo Hong Sui, Vincent ("Mr. Lo"). Under the SFO, Mr. Lo was deemed to be interested in such shares and both Mr. Lo and Mrs. Lo were also deemed to be interested in 234,381,000 shares mentioned in note 2 below.
2. These shares were beneficially owned by Shui On Company Limited ("SOCL"). Of these 234,381,000 shares beneficially owned by SOCL, 220,148,000 shares were held by SOCL itself and 14,233,000 shares were held by Shui On Finance Company Limited, an indirect wholly-owned subsidiary of SOCL. SOCL was owned by the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was one of the discretionary beneficiaries and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.

(2) Share options of the Company

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

Save as disclosed above, at 31 December 2014, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company adopted a share option scheme on 22 August 2012 (the "Existing Scheme") to replace the share option scheme adopted on 27 August 2002 (the "Old Scheme"), which has expired on 30 August 2012. Since then, no further option can be granted under the Old Scheme, but all options granted previously remain exercisable in accordance with the terms of the Old Scheme and the relevant letters of offers to the respective grantees. Particulars of the Existing Scheme are set out in note 35 to the consolidated financial statements.

During the year, no option was granted under the Existing Scheme. The movements in the share options of the Company during the year are set out as follows:

			Number of shares subject to options							
Name or category of eligible participant(s)	Date of grant	Subscription price per share HK$	At 1.1.2014	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year (Note 1)	At 31.12.2014	Period during which options outstanding are exercisable	Average closing reference price for exercise of options (Note 2) HK$
Directors										
Mr. Choi Yuk Keung, Lawrence (Note 3)	9.4.2009	7.63	250,000	–	–	(250,000)	–	–	9.10.2009 to 8.4.2014	–
	9.4.2009	7.63	380,000	–	–	–	–	380,000	9.4.2012 to 8.4.2019	–
	12.4.2010	12.22	250,000	–	–	–	–	250,000	12.10.2010 to 11.4.2015	–
	12.4.2010	12.22	700,000	–	–	–	–	700,000	12.4.2013 to 11.4.2020	–
	23.6.2011	10.90	250,000	–	–	–	–	250,000	23.12.2011 to 22.6.2016	–
	28.7.2011	10.00	6,500,000	–	–	–	(6,500,000)	–	1.5.2015 to 27.7.2021	–
Mr. Wong Fook Lam, Raymond (Note 3)	12.4.2010	12.22	200,000	–	–	–	–	200,000	12.10.2010 to 11.4.2015	–
	12.4.2010	12.22	700,000	–	–	–	–	700,000	12.4.2013 to 11.4.2020	–
	23.6.2011	10.90	250,000	–	–	–	–	250,000	23.12.2011 to 22.6.2016	–
	28.7.2011	10.00	6,500,000	–	–	–	(6,500,000)	–	1.5.2015 to 27.7.2021	–
Mr. Wong Kun To, Philip (Note 3)	12.4.2010	12.22	350,000	–	–	–	–	350,000	12.10.2010 to 11.4.2015	–
	12.4.2010	12.22	1,050,000	–	–	–	–	1,050,000	12.4.2013 to 11.4.2020	–
	23.6.2011	10.90	400,000	–	–	–	–	400,000	23.12.2011 to 22.6.2016	–
	28.7.2011	10.00	10,800,000	–	–	–	(10,800,000)	–	1.5.2015 to 27.7.2021	–
Sub-total			28,580,000	–	–	(250,000)	(23,800,000)	4,530,000		
Employees (in aggregate)	9.4.2009	7.63	605,279	–	(234,053)	(371,226)	–	–	9.10.2009 to 8.4.2014	9.43
	12.4.2010	12.22	4,210,000	–	–	(480,000)	–	3,730,000	12.10.2010 to 11.4.2015	–
	13.5.2011	10.66	4,206,000	–	–	(666,000)	–	3,540,000	13.11.2011 to 12.5.2016	–
	23.6.2011	10.90	1,030,000	–	–	(250,000)	–	780,000	23.12.2011 to 22.6.2016	–
	28.7.2011	10.00	22,500,000	–	–	(1,250,000)	(13,250,000)	8,000,000	1.5.2015 to 27.7.2021	–
	26.11.2012	8.18	4,242,000	–	(184,000)	(444,000)	–	3,614,000	26.5.2013 to 25.11.2017	9.56
	14.6.2013	9.93	4,850,000	–	–	(430,000)	–	4,420,000	14.12.2013 to 13.6.2018	–
Sub-total			41,643,279	–	(418,053)	(3,891,226)	(13,250,000)	24,084,000		
Total			70,223,279	–	(418,053)	(4,141,226)	(37,050,000)	28,614,000		

Notes:

1. As disclosed in the announcement dated 30 June 2014 issued by the Company, portions of the share options granted on 28 July 2011 with vesting based on corporate performance, involving a total of 37,050,000 shares of the Company, were cancelled on 30 June 2014.
2. The average closing reference price represents the average of the closing prices of the Company's shares immediately before the dates on which the share options were exercised during the year, weighted by the number of shares issued pursuant to the options exercised by such category of eligible participants.
3. Mr. Choi Yuk Keung, Lawrence, Mr. Wong Fook Lam, Raymond and Mr. Wong Kun To, Philip were previously granted share options in excess of their respective maximum individual entitlement of 1%.
4. The vesting of all share options granted to the eligible participants is subject to the vesting schedules and/or performance conditions as set out in the respective offer letters. Details about the performance conditions and the vesting schedules for the share options granted are set out in note 35 to the consolidated financial statements.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed under the section headed "Interests of Directors and Chief Executives" above, persons (other than a Director or chief executive of the Company or his/her respective associate(s)) who, at 31 December 2014, had an interest or short position in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of ordinary shares/ underlying shares	Approximate percentage of the issued share capital
Penta Investment Advisers Limited	Investment manager	101,700,374 (Notes 1 and 2)	20.99%
PAF II Ltd.	Beneficial owner	24,401,973 (Notes 1 and 3)	5.03%

Notes:

1. All the interests represent long positions.
2. Among the interests held by this shareholder, 18,701,249 shares were cash settled derivative interests.
3. Among the interests held by this shareholder, 767,000 shares were cash settled derivative interests.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

CONNECTED TRANSACTIONS

During the year, the Group entered into the following transactions which constituted non-exempt connected transactions of the Company and are required to be disclosed herein under Chapter 14A of the Listing Rules:

(1) Engagement of sales agency services for disposal of share interest in Gracious Spring Limited ("Gracious Spring")

On 23 January 2014, the Company entered into an agency services agreement (the "Agency Services Agreement") with V I Capital Management Limited ("ViCap") whereby the Company appointed ViCap as its sales agent on a non-exclusive basis to identify and manage contact with any potential purchaser of the share interest held by Shui On China Central Properties Limited ("SOCCP", an indirect wholly-owned subsidiary of the Company) in Gracious Spring, a joint venture undertaking a property project known as Centropolitan located in Chengdu, the People's Republic of China (the "PRC"), which was then owned as to 51% by SOCCP. Pursuant to the Agency Services Agreement, a fee equal to 1% of the total transaction amount paid by the purchaser would be charged by ViCap, 20% of which was payable by the Company upon signing of any sale and purchase agreement for the disposal of SOCCP's share interest in Gracious Spring and the balance should be settled after completion of the disposal.

ViCap is a company wholly owned by Mr. Wong Yuet Leung, Frankie, then being a Non-executive Director of the Company, and hence a connected person of the Company. As such, the entering into of the Agency Services Agreement constituted a connected transaction of the Company under the Listing Rules, details of which have been set out in the announcement dated 23 January 2014 issued by the Company.

As disclosed by the Company in the same announcement dated 23 January 2014, SOCCP entered into a sale and purchase agreement (the "GS First Sale and Purchase Agreement") with Rongxi Hong Kong Investment Management Limited (the "First Purchaser", an independent third party) on 23 January 2014 whereby, amongst other things, SOCCP agreed to sell 43.53% share interest in Gracious Spring to the First Purchaser for a total transaction amount of approximately HK$844 million (the "First Disposal") upon the terms and conditions contained therein. As further announced by the Company on 26 June 2014, the First Disposal was terminated because certain conditions as provided in the GS First Sale and Purchase Agreement could not be fulfilled by the First Purchaser.

As disclosed by the Company in the same announcement dated 26 June 2014, SOCCP entered into a sale and purchase agreement with Fine Process Limited (the "Second Purchaser", an independent third party) on 26 June 2014 whereby, amongst other things, SOCCP agreed to sell 19% share interest in Gracious Spring to the Second Purchaser for a total transaction amount of approximately HK$378 million (the "Second Disposal") upon the terms and conditions contained therein.

Both the First Disposal and the Second Disposal were arranged through ViCap acting as the sales agent of the Company pursuant to the Agency Services Agreement. Based on the final transaction amount of the disposal of partial share interest of SOCCP in Gracious Spring, the Company paid a fee of approximately HK$3.8 million to ViCap.

(2) Buyback of 49% share interest in Gracious Spring

On 24 February 2014, the Company announced that, to satisfy a pre-condition under the GS First Sale and Purchase Agreement, SOCCP intended to exercise its right, pursuant to the shareholders agreement entered into by it with Perfectfit Limited ("PFL") on 17 June 2011, to buy back 49% share interest in Gracious Spring (the "Buyback") from PFL at par value of US$1.00 each of the shares, being a total of US$49.00, after the outstanding shareholder's loan plus interest accrued thereon owing by Gracious Spring to PFL had been fully repaid.

PFL was a substantial shareholder of Gracious Spring, a subsidiary of the Company for the purposes of the Listing Rules, and hence a connected person of the Company. As such, the Buyback constituted a connected transaction of the Company under the Listing Rules, details of which have been set out in the announcement dated 24 February 2014 and the circular dated 12 March 2014 issued by the Company.

Pursuant to the requirements of the Listing Rules, approval for the Buyback was obtained from the independent shareholders of the Company at a special general meeting held on 28 March 2014, and the Buyback was completed on 1 April 2014 thereafter.

(3) Disposal of Silver Reach Limited ("Silver Reach") and transfer of options incidental thereto

On 17 April 2014, Wealth Frame Limited ("Wealth Frame", a wholly-owned subsidiary of the Company, which then held 64.7% share interest in Silver Reach), Needham Fortune Ltd. ("Needham", which then held the remaining 35.3% share interest in Silver Reach) and the Company entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Victory Soar Limited (the "Purchaser", an independent third party), pursuant to the terms and conditions of which Wealth Frame and Needham agreed to sell to the Purchaser their entire share interests in Silver Reach and assign to it the offshore shareholders' loans owing by Silver Reach to them (the "Disposal") for an aggregate consideration of RMB264.3 million (with RMB171.1 million payable to Wealth Frame and RMB93.2 million payable to Needham).

The principal asset of Silver Reach is the options (the "Options") granted by Fancy Noble Limited ("Fancy Noble"), being the rights to acquire the entire issued share capital of Best Surpass Limited ("Best Surpass", which indirectly owns a property project known as Tianjin Project Phase II located in the Wuqing District, Tianjin, the PRC) from Fancy Noble pursuant to the terms and conditions of a master agreement dated 21 September 2012 (the "Master Agreement"), as supplemented by a further agreement dated 17 April 2014 entered into between Silver Reach and Fancy Noble.

Needham is an associate of Penta Investment Advisers Limited ("Penta"), a substantial shareholder of the Company, and hence a connected person of the Company. As such, the entering into of the Sale and Purchase Agreement for the Disposal together with Needham constituted a connected transaction of the Company under the Listing Rules.

Pursuant to the Master Agreement, the majority of the board of directors of Best Surpass was controlled by the Group. Therefore, Best Surpass was a subsidiary of the Company for the purposes of the Listing Rules. Accordingly, Fancy Noble, being a substantial shareholder of Best Surpass, was a connected person of the Company. As the Disposal involved a transfer of the Options granted by Fancy Noble, which would be treated as if exercised under the connected transaction requirements of the Listing Rules, the transfer of the Options incidental to the Disposal also constituted a connected transaction of the Company under the Listing Rules.

Details of the Disposal, including the incidental transfer of the Options, have been set out in the announcement dated 17 April 2014 issued by the Company.

The Disposal was completed on 29 April 2014 in accordance with the terms of the Sale and Purchase Agreement.

(4) Disposal of Shui On Granpex Limited ("SO Granpex"), Pat Davie (China) Limited ("PD (China)") and Famous Scene Holdings Limited ("Famous Scene") (collectively the "Target Companies")

On 21 August 2014, the following sale and purchase agreements (collectively the "Sale and Purchase Agreements") were entered into by the Group:

(a) a sale and purchase agreement entered into between Shui On Contractors Limited ("SOC", a wholly-owned subsidiary of the Company), the Company, Sino Atrium Global Limited ("Sino Atrium", an indirect wholly-owned subsidiary of Shui On Land Limited ("SOL")) and SOL whereby, amongst other things, (i) SOC agreed to sell to Sino Atrium its entire share interest in Shui On Granpex and the debt due from SO Granpex to it; and (ii) the Company agreed to sell to Sino Atrium the debt due from SO Granpex to it (the "SO Granpex Disposal"), for an aggregate consideration of approximately HK$120.6 million (subject to adjustment) upon the terms and conditions contained therein;

(b) a sale and purchase agreement entered into between Pat Davie Limited ("PDL", an indirect non-wholly owned subsidiary of the Company), the Company, Sino Gate Developments Limited ("Sino Gate", an indirect wholly-owned subsidiary of SOL) and SOL whereby, amongst other things, PDL agreed to sell to Sino Gate its entire share interest in PD (China) and the debt due from PD (China) to it (the "PD (China) Disposal") for an aggregate consideration of approximately HK$112.5 million (subject to adjustment) upon the terms and conditions contained therein; and

(c) a sale and purchase agreement entered into between the Company, Sino Luck International Limited ("Sino Luck", an indirect wholly-owned subsidiary of SOL, together with Sino Atrium and Sino Gate, collectively the "Purchasers") and SOL whereby, amongst other things, the Company agreed to sell to Sino Luck its entire share interest in Famous Scene and the debt due from Famous Scene to it (the "Famous Scene Disposal", together with the SO Granpex Disposal and the PD (China) Disposal, the "Disposals") for an aggregate consideration of approximately HK$106.6 million (subject to adjustment) upon the terms and conditions contained therein.

The Target Companies, via their subsidiaries, principally engages in building construction, fitting-out, trading of fitting-out materials and management consultancy services in the PRC.

SOL is an associate of Mr. Lo, the Chairman and the controlling shareholder of the Company. Therefore, SOL and the Purchasers, all being subsidiaries of SOL, are connected persons of the Company. As such, the entering into of the Sale and Purchase Agreements and the Disposals contemplated thereunder constituted connected transactions of the Company, details of which have been set out in the announcement dated 21 August 2014 and the circular dated 25 September 2014 issued by the Company. Pursuant to the requirements of the Listing Rules, approval for the Sale and Purchase Agreements and the Disposals contemplated thereunder was obtained from the independent shareholders of the Company at a special general meeting held on 16 October 2014.

In accordance with the terms of the Sale and Purchase Agreements, the SO Granpex Disposal, the PD (China) Disposal and the Famous Scene Disposal were completed on 31 October 2014 for an adjusted consideration of approximately HK$129.5 million, HK$118.6 million and HK$106.7 million respectively.

(5) Acquisition of 10% share interest in Lead Wealthy Investments Limited ("Lead Wealthy") and incidental disposal of entire share interest in Peak Century Limited ("Peak Century") and properties in Shanghai Four Seasons Place

On 31 December 2014, Bright Jade Investments Limited ("Bright Jade", an indirect wholly-owned subsidiary of the Company), Remparts Ltd. ("Remparts"), Dignitary Limited ("Dignitary", an indirect wholly-owned subsidiary of the Company), Lead Wealthy (a joint venture owned as to 70% by Bright Jade, 20% by HPL Leisure Holdings Pte Ltd and 10% by Remparts) and Shanghai 21st Century Real Estate Co., Ltd. (an indirect wholly-owned subsidiary of Lead Wealthy, which owns a property project known as 21st Century Tower located in the Pudong District, Shanghai, the PRC) entered into a sale and purchase agreement (the "Sale and Purchase Agreement") whereby, amongst other things, Bright Jade agreed to acquire from Remparts its 10% share interest in Lead Wealthy and the corresponding shareholder's loans plus interest accrued thereon owing by Lead Wealthy to it (the "Acquisition") for an aggregate consideration of approximately RMB149.9 million upon the terms and conditions contained therein. The Acquisition consideration will be settled partly in cash as to approximately RMB10.1 million and partly by setting off against the consideration, in an aggregate amount of approximately RMB139.8 million, payable by Remparts to the Group in relation to its disposal to Remparts of (i) the entire share interest of Dignitary in Peak Century Limited ("Peak Century", which owns an apartment unit in Lakeville Regency Tower 18 and a car parking space in Lakeville Regency Tower 13 located in the Huangpu District, Shanghai, the PRC) together with the shareholder's loan owing by Peak Century to Dignitary for a consideration of approximately RMB38.8 million (subject to adjustment); and (ii) two apartment units and three car parking spaces in Shanghai Four Seasons Place, a branded residence situated at the 21st Century Tower, for a consideration of RMB101 million (collectively the "Disposals").

Remparts is an associate of Penta, a substantial shareholder of the Company, and hence a connected person of the Company. As such, the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the Disposals) constituted connected transactions of the Company under the Listing Rules, details of which have been set out in the announcement dated 31 December 2014 issued by the Company. Pursuant to the requirements of the Listing Rules, the Company will convene a special general meeting to seek the independent shareholders' approval for the Sale and Purchase Agreement and the transactions contemplated thereunder, and the relevant circular will be issued to shareholders in due course.

CONTINUING CONNECTED TRANSACTIONS

Set out below are the transactions entered into by the Group which constituted non-exempt continuing connected transactions of the Company and are required to be disclosed herein under Chapter 14A of the Listing Rules:

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

On 9 December 2011, SOC (a wholly-owned subsidiary of the Company) and SOL entered into a new framework agreement (the "Framework Agreement") to provide guidelines and basis of annual caps on the provision of construction services by SOC and its subsidiaries (collectively the "SOC Group", then including 瑞安建築有限公司 (Shui On Construction Co., Ltd.) ("SOCC") and 上海德建裝飾工程有限公司 (Shanghai Pat Davie Limited)("Shanghai PD") as its members) to the SOL Group for a term of three financial years to 31 December 2014 to replace the previous framework agreement dated 4 June 2006 (as supplemented by a supplemental agreement dated 15 December 2008) made between SOL and SOCC, which expired on 31 December 2011.

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

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

The amount paid or payable to SOC Group for the provision of construction services under the Framework Agreement for the year ended 31 December 2014 was approximately RMB469 million. The Independent Non-executive Directors have reviewed such transactions for the year ended 31 December 2014 and confirmed that the transactions were entered into by the Group in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the Framework Agreement that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Following completion of the disposal of SO Granpex (the holding company of SOCC) and PD (China) (the holding company of Shanghai PD) to the SOL Group on 31 October 2014 as mentioned in item (4) under the section headed "Connected Transactions" above, both SO Granpex and PD (China) ceased to be subsidiaries of SOC and the provision of construction services by the subsidiaries of these companies, including SOCC and Shanghai PD, to the SOL Group was no longer governed by the provisions of the Framework Agreement.

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

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

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

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

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

The fees payable by the Dalian Group to Max Clear for the provision of management services under the Amended Management Services Agreement for the year ended 31 December 2014 amounted to approximately RMB9.5 million. The Independent Non-executive Directors have reviewed such transaction for the year ended 31 December 2014 and confirmed that the transaction was entered into by the Group in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the Amended Management Services Agreement that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with the terms of the Amended Management Services Agreement, upon its expiry on 31 December 2014, the final amount of the management services fees payable to each of Max Clear, Shanghai SOD and Yida shall be ascertained based on the total actual construction cost for the Dalian Project for the whole duration of the Amended Management Services Agreement from 1 January 2008 to 31 December 2014. Since the total actual construction cost was less than the total budgeted construction cost for the Dalian Project for the said period, Max Clear shall reverse an overprovision of approximately RMB32.3 million services fees payable to it by the Dalian Group upon expiry of the Amended Management Services Agreement and, following this adjustment, a total of approximately RMB58.6 million services fees received or receivable is recorded by Max Clear for its management services provided to the Dalian Group pursuant to the Amended Management Services Agreement.

The Company's auditor was engaged to report on the continuing connected transactions of the Company in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the Company's continuing connected transactions as disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

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

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

(5) Mr. Tsang Kwok Tai, Moses is a director of China Xintiandi Limited which is an indirect wholly-owned subsidiary of SOL. China Xintiandi Limited, through its subsidiaries, principally engages in investing, operating and managing commercial properties in the PRC.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

RETIREMENT BENEFIT PLANS

Details of the Group's retirement benefit plans are shown in note 31 to the consolidated financial statements.

MAJOR SUPPLIERS AND MAJOR CUSTOMERS

The five largest suppliers of the Group accounted for less than 13% of the total purchases of the Group for the year.

The five largest customers of the Group accounted for approximately 54% of the total turnover of the Group for the year with the largest customer, the Government of Hong Kong Special Administrative Region – the Hong Kong Housing Authority, accounting for approximately 22% of the turnover of the Group.

Mr. Lo, the Chairman and the controlling shareholder of the Company, is also the Chairman and the controlling shareholder of SOL, the fourth largest customer of the Group which accounted for approximately 9% of the total turnover of the Group for the year ended 31 December 2014. Save as disclosed herein, none of the Directors, their associates or any shareholder (which, to the knowledge of the Directors, owns more than 5% of the issued share capital of the Company) has a beneficial interest in the five largest customers of the Group.

DONATIONS

During the year, the Group made donations of approximately HK$2.9 million to business associations and institutions.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES

Financial assistance and guarantees to affiliated companies

Financial assistance and guarantees provided by the Group to its affiliated companies amounted to HK$5,276 million at 31 December 2014, details of which are as follows:

	Balance at 31 December 2014				
		Unsecured loans			
Affiliated companies	Approximate effective percentage of interest	Interest free with no fixed repayment terms	Interest bearing with no fixed repayment terms	Guarantee	Total
		HK$ million	HK$ million (Note 1)	HK$ million	HK$ million
Cosy Rich Limited	50%	130	–	–	130
Gracious Spring Limited	81%	–	1,727	416	2,143
Lamma Yue Jie Company Limited	60%	17	–	–	17
Lead Wealthy Investments Limited	70%	–	865	245	1,110
Nanjing Jiangnan Cement Co., Ltd.	60%	150	–	–	150
Richcoast Group Limited	28%	612	558	277	1,447
Win Lead Holdings Limited	50%	279	–	–	279
		1,188	3,150	938	5,276

The proforma combined statement of financial position of the above affiliated companies at 31 December 2014 is as follows:

	HK$ million
Non-current assets	12,432
Current assets	14,133
Current liabilities	(11,251)
Net current assets	2,882
Non-current liabilities	(13,509)
Non-controlling interests	(897)
Shareholders' funds	908

Details of the above affiliated companies are set out in notes 44 and 45 to the consolidated financial statements.

Notes:

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

Affiliated companies	Interest rate per annum
Gracious Spring Limited	Fixed at 13%
Lead Wealthy Investments Limited	HIBOR + 3.5%
Richcoast Group Limited	Fixed at 5% to 6.16%

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

AUDITOR

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

On behalf of the Board

Lo Hong Sui, Vincent
Chairman

Hong Kong, 26 March 2015

INDEPENDENT
AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of SOCAM Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 90 to 183, which comprise the consolidated statement 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the Group's state of affairs as at 31 December 2014, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 March 2015

CONSOLIDATED STATEMENT
OF PROFIT OR LOSS

For the year ended 31 December 2014

	NOTES	2014 HK$ million	2013 HK$ million
Turnover			
The Company and its subsidiaries		**6,102**	7,952
Share of joint ventures/associates		**3,985**	4,460
		10,087	12,412
Group turnover	7	**6,102**	7,952
Other income and gains	8	**152**	260
Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold		**(484)**	(2,641)
Raw materials and consumables used		**(847)**	(831)
Staff costs		**(641)**	(621)
Depreciation and amortisation expenses		**(15)**	(37)
Subcontracting, external labour costs and other expenses		**(4,341)**	(3,871)
Dividend income from available-for-sale investments		**2**	2
Fair value changes on investment properties	15 & 27(b)	**(63)**	349
Finance costs	9	**(372)**	(368)
Loss on disposal of interests in joint ventures	17	**(7)**	–
Loss on disposal of subsidiaries	39	**(11)**	–
Share of results of joint ventures	7	**(707)**	(426)
Share of results of associates	7	**(113)**	(98)
Loss before taxation		**(1,345)**	(330)
Taxation	10	**(14)**	(542)
Loss for the year		**(1,359)**	(872)
Attributable to:			
Owners of the Company		**(1,374)**	(889)
Non-controlling interests		**15**	17
		(1,359)	(872)
Loss per share	14		
Basic		**HK$(2.84)**	HK$(1.81)
Diluted		**HK$(2.84)**	HK$(1.81)

CONSOLIDATED STATEMENT

OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	**2014 HK$ million**	2013 HK$ million
Non-current Assets			
Investment properties	15	**2,087**	2,096
Property, plant and equipment	16	**40**	57
Interests in joint ventures	17	**3,217**	3,698
Available-for-sale investments	18	**55**	71
Interests in associates	19	**311**	416
Club memberships		**1**	1
Trade debtors	24	**25**	38
Amounts due from joint ventures	20	**2,725**	2,388
Amounts due from associates	21	**854**	865
		9,315	9,630
Current Assets			
Inventories	22	**1**	1
Properties held for sale	23	**554**	843
Properties under development for sale	23	**820**	874
Debtors, deposits and prepayments	24	**1,632**	1,545
Amounts due from customers for contract work	22	**295**	426
Amounts due from joint ventures	20	**1,122**	1,158
Amounts due from associates	21	**555**	498
Amounts due from related companies	25	**15**	196
Taxation recoverable		**92**	42
Other financial asset	24	**–**	127
Restricted bank deposits	26	**516**	946
Bank balances, deposits and cash	24		
– Cash and cash equivalents		**1,919**	2,606
– Other bank balances		**–**	150
		7,521	9,412
Assets classified as held for disposal	27	**1,684**	4,078
		9,205	13,490

	NOTES	**2014 HK$ million**	2013 HK$ million
Current Liabilities			
Creditors and accrued charges	28	**1,830**	2,538
Sales deposits received		**466**	346
Amounts due to customers for contract work	22	**294**	397
Amounts due to joint ventures	20	**376**	484
Amounts due to associates	21	**2**	3
Amounts due to related companies	25	**287**	201
Amounts due to non-controlling shareholders of subsidiaries	25	**3**	3
Taxation payable		**192**	216
Bank and other borrowings due within one year	29	**6,268**	6,892
		9,718	11,080
Liabilities directly associated with assets classified as held for disposal	27	**–**	543
		9,718	11,623
Net Current (Liabilities) Assets		**(513)**	1,867
Total Assets Less Current Liabilities		**8,802**	11,497
Capital and Reserves			
Share capital	30	**484**	484
Reserves		**7,349**	8,840
Equity attributable to owners of the Company		**7,833**	9,324
Non-controlling interests		**37**	67
		7,870	9,391
Non-current Liabilities			
Bank and other borrowings	29	**372**	1,313
Defined benefit liabilities	31	**140**	104
Deferred tax liabilities	32	**420**	689
		932	2,106
		8,802	11,497

The consolidated financial statements on pages 90 to 183 were approved and authorised for issue by the Board of Directors on 26 March 2015 and are signed on its behalf by:

Choi Yuk Keung, Lawrence
Vice Chairman and Managing Director

Wong Fook Lam, Raymond
Managing Director and Chief Financial Officer

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company													
	Share capital	Share premium account	Translation reserve	Contributed surplus (Note a)	Goodwill	Retained profits	Reserve funds	Share option reserve	Actuarial gain and loss	Investment revaluation reserve	Other reserve (Note b)	Total	Non-controlling interests	Total Equity
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 1 January 2014	484	3,168	1,586	197	(3)	3,418	12	74	(27)	3	412	9,324	67	9,391
Fair value changes of available-for-sale investments	-	-	-	-	-	-	-	-	-	(3)	-	(3)	-	(3)
Exchange differences arising on translation of financial statements of foreign operations	-	-	(28)	-	-	-	-	-	-	-	-	(28)	-	(28)
Share of exchange differences of joint ventures	-	-	(33)	-	-	-	-	-	-	-	-	(33)	-	(33)
Share of exchange differences of associates	-	-	(2)	-	-	-	-	-	-	-	-	(2)	-	(2)
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	-	-	-	-	13	13	-	13
Recognition of actuarial loss	-	-	-	-	-	-	-	-	(38)	-	-	(38)	-	(38)
Disposal of subsidiaries	-	-	(26)	-	-	-	-	-	-	-	(6)	(32)	-	(32)
Disposal of property inventories	-	-	-	-	-	-	-	-	-	-	(5)	(5)	-	(5)
Loss for the year	-	-	-	-	-	(1,374)	-	-	-	-	-	(1,374)	15	(1,359)
Total comprehensive (expense) income for the year	-	-	(89)	-	-	(1,374)	-	-	(38)	(3)	2	(1,502)	15	(1,487)
Issue of shares upon exercise of share options	-	3	-	-	-	-	-	-	-	-	-	3	-	3
Recognition of share-based payments	-	-	-	-	-	-	-	8	-	-	-	8	-	8
Transfer upon exercise/lapse of share options	-	1	-	-	-	7	-	(8)	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	12	(12)	-	-	-	-	-	(26)	(26)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(19)	(19)
At 31 December 2014	484	3,172	1,497	197	(3)	2,063	-	74	(65)	-	414	7,833	37	7,870

	Attributable to owners of the Company													
	Share capital	Share premium account	Translation reserve	Contributed surplus (Note a)	Goodwill	Retained profits	Reserve funds	Share option reserve	Actuarial gain and loss	Investment revaluation reserve	Other reserve (Note b)	Total	Non-controlling interests	Total Equity
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 1 January 2013	492	3,232	1,241	197	(3)	4,535	11	96	(45)	30	432	10,218	70	10,288
Fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	–	(27)	–	(27)	–	(27)
Exchange differences arising on translation of financial statements of foreign operations	–	–	217	–	–	–	–	–	–	–	–	217	1	218
Share of exchange differences of joint ventures	–	–	113	–	–	–	–	–	–	–	–	113	–	113
Share of exchange differences of associates	–	–	15	–	–	–	–	–	–	–	–	15	–	15
Recognition of actuarial gain	–	–	–	–	–	–	–	–	18	–	–	18	–	18
Disposal of property inventories	–	–	–	–	–	–	–	–	–	–	(20)	(20)	–	(20)
Loss for the year	–	–	–	–	–	(889)	–	–	–	–	–	(889)	17	(872)
Total comprehensive income (expense) for the year	–	–	345	–	–	(889)	–	–	18	(27)	(20)	(573)	18	(555)
Issue of shares upon exercise of share options	2	12	–	–	–	–	–	–	–	–	–	14	–	14
Repurchase of shares (note 30)	(10)	(80)	–	–	–	–	–	–	–	–	–	(90)	–	(90)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	4	4
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(6)	(6)
Recognition of share-based payments	–	–	–	–	–	–	–	2	–	–	–	2	–	2
Transfer upon exercise/lapse of share options	–	4	–	–	–	20	–	(24)	–	–	–	–	–	–
Transfer to statutory reserve	–	–	–	–	–	(1)	1	–	–	–	–	–	–	–
Dividends recognised as distribution (note 13)	–	–	–	–	–	(247)	–	–	–	–	–	(247)	–	(247)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(19)	(19)
At 31 December 2013	484	3,168	1,586	197	(3)	3,418	12	74	(27)	3	412	9,324	67	9,391

Notes:

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

(b) Other reserve of the Group mainly include (i) an amount of HK$231 million (2013: HK$231 million) recognised in prior years, which arose when the Group entered into agreements with Shui On Company Limited ("SOCL"), the Company's substantial shareholder, to co-invest in Shui On Land Limited during the year ended 31 March 2005; (ii) an amount of HK$102 million (2013: HK$102 million), which represents the Group's share of compensation recognised by Lafarge Shui On Cement Limited in the form of donation in respect of losses in the earthquake in Sichuan during the year ended 31 December 2008; (iii) an amount of HK$20 million (2013: HK$21 million), which represents the Group's share of revaluation reserve of a then associate, China Central Properties Limited ("CCP"), arising from an acquisition achieved in stages by CCP during the year ended 31 December 2009, net of the amount released as a result of subsequent disposal of property inventories; and (iv) an amount of HK$22 million (2013: HK$32 million), which represents the revaluation surplus of the Group's 42.88% previously held interest in CCP, recognised upon the acquisition of the remaining 57.12% interest in CCP during the year ended 31 December 2009, net of the amount released as a result of subsequent disposal of property inventories.

CONSOLIDATED STATEMENT
OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK$ million	2013 HK$ million
OPERATING ACTIVITIES		
Loss before taxation	**(1,345)**	(330)
Adjustments for:		
Provision of impairment loss in respect of interests in joint ventures	**–**	14
Impairment loss on other receivables	**–**	15
Impairment loss on available-for-sale investments	**13**	–
Loss on disposal of subsidiaries	**11**	–
Loss on disposal of interests in joint ventures	**7**	–
(Gain) loss on disposal of property, plant and equipment	**(9)**	42
Share of results of joint ventures	**707**	426
Share of results of associates	**113**	98
Interest income	**(114)**	(110)
Finance costs	**372**	368
Imputed interest income on loans to joint ventures/associates	**–**	(30)
Dividend income from available-for-sale investments	**(2)**	(2)
Fair value changes on investment properties	**63**	(349)
Depreciation of property, plant and equipment	**15**	36
Amortisation of prepaid lease payments	**–**	1
Gain on disposal of property inventories through disposal of subsidiaries	**–**	(200)
Unrealised effect on income from associates/joint ventures	**(1)**	(11)
Share-based payment expense	**8**	2
Expense recognised in respect to defined benefit scheme	**19**	19
Operating cash flows before movements in working capital	**(143)**	(11)
Decrease in inventories	**–**	29
Decrease in properties held for sale	**285**	1,165
Decrease in properties under development for sale	**38**	218
(Increase) decrease in debtors, deposits and prepayments	**(299)**	121
Decrease (increase) in amounts due from customers for contract work	**69**	(103)
(Increase) decrease in amounts due from related companies	**(42)**	112
Increase in amounts due from associates	**(98)**	(50)
Increase in amounts due from joint ventures	**(137)**	(239)
(Decrease) increase in creditors and accrued charges	**(110)**	10
Decrease in sales deposits received in respect of properties for sale	**(49)**	(760)
Decrease in other bank balances (note 24)	**150**	46
Increase in amounts due to customers for contract work	**95**	46
(Decrease) increase in amounts due to joint ventures	**(101)**	379
Decrease in amounts due to related companies	**(15)**	–
Increase in amounts due to associates	**–**	2
Decrease in amounts due to non-controlling shareholders of subsidiaries	**–**	(2)
Contribution to defined benefit scheme	**(21)**	(9)
Cash (used in) generated from operations	**(378)**	954
Hong Kong Profits Tax paid	**(15)**	(21)
Hong Kong Profits Tax refunded	**1**	–
Income tax of other regions in the People's Republic of China ("PRC") paid	**(332)**	(178)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(724)**	755

	2014 HK$ million	2013 HK$ million
INVESTING ACTIVITIES		
Investments in joint ventures	**–**	(59)
Advance to joint ventures	**(976)**	(811)
Repayment from a joint venture	**84**	–
Additions in property, plant and equipment	**(18)**	(26)
Payment for construction of investment properties	**(38)**	(128)
Dividends received from joint ventures	**–**	149
Interest received	**48**	100
Proceeds from sales of property, plant and equipment and leasehold land	**25**	12
Dividends received from available-for-sale investments	**2**	2
Net proceeds from disposal of a subsidiary classified as held for disposal (note)	**1,344**	–
Net proceeds from disposal of subsidiaries (note 39(b))	**173**	9
Net proceeds from disposal of property inventories through disposal of subsidiaries	**–**	817
Net proceeds from disposal of a joint venture	**216**	–
Acquisition of property inventories and other assets and liabilities through acquisition of subsidiaries	**(117)**	(79)
Acquisition of a subsidiary	**–**	(2)
Sales deposits received in respect of disposal of investment properties classified as held for disposal	**1,008**	–
Payment in respect of rights issue of available-for-sale investments	**–**	(14)
Proceeds from sale (purchase) of other financial asset	**127**	(127)
Restricted bank deposits placed	**(621)**	(232)
Restricted bank deposits refunded	**1,051**	500
NET CASH FROM INVESTING ACTIVITIES	**2,308**	111

	2014 **HK$ million**	2013 HK$ million
FINANCING ACTIVITIES		
New bank and other loans raised	**3,148**	2,050
Loan from related companies	**60**	200
Repayment to related companies	**(60)**	(62)
Net proceeds received on issue of shares	**3**	14
Repurchase of shares	**–**	(90)
Repayment of bank loans	**(5,028)**	(1,643)
Interest paid	**(305)**	(307)
Other borrowing costs paid	**(67)**	(62)
Cash contribution from non-controlling interests	**–**	4
Dividends paid	**–**	(247)
Dividends paid to non-controlling shareholders of subsidiaries	**(13)**	(19)
NET CASH USED IN FINANCING ACTIVITIES	**(2,262)**	(162)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(678)**	704
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**2,607**	1,854
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(10)**	49
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1,919**	2,607
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances, deposits and cash	**1,919**	2,606
Bank balances, deposits and cash included in assets classified as held for disposal (note 27)	**–**	1
	1,919	2,607

Note:

During the year, the Group disposed of 80% interest in a property project through disposal of 80% interest in a subsidiary, which assets and liabilities were respectively accounted for as "assets classified as held for disposal" and "liabilities associated with assets classified as held for disposal" in the Group's consolidated statement of financial position at 31 December 2013 (note 27(a)). Accordingly, the net cash inflow of approximately HK$1,344 million arising therefrom was included in cash flows from investing activities as such disposal was effected through disposal of a subsidiary, rather than operating activities.

1. GENERAL

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

The principal activity of the Company is investment holding. Its subsidiaries, joint ventures and associates are principally engaged in property development and investment, asset management, construction and contracting, renovation and fitting out, manufacturing and sales of cement and investment holding.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Cap. 32).

Basis of preparation

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

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

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

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

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

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

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

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

Investments in associates and joint ventures

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

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

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

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 results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for disposal (in which case it is accounted for under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"). The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates and joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of profit or loss and other comprehensive income of the associates and the joint ventures, less any identified impairment loss. When the Group's share of losses equals or exceeds its interest in the associate or the joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

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

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

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

Investments in joint operations

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in joint operations (continued)

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

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

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

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

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

Non-current assets held for disposal

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

Sales of properties

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

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

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

Others

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

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

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

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

Service income is recognised when services are provided.

Construction and building maintenance contracts

Where the outcome of a construction and building maintenance contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by reference to the value of work carried out during the period. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction and building maintenance contracts (continued)

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

Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year in which the item is derecognised.

Property, plant and equipment

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

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

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

Club memberships

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Club memberships (continued)

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Properties held for sale

Properties held for sale are completed properties and are stated at the lower of cost and net realisable value. Costs relating to the development of properties, comprising prepaid lease payments for lands and development costs, are included in properties held for development for sale until such time when they are completed. Net realisable value represents the estimated selling price less all anticipated costs to be incurred in marketing and selling.

Properties under development for sale

Properties under development, which are intended to be held for sale, are measured at the lower of cost and net realisable value. Cost includes costs of land, development expenditure incurred, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to such properties. These assets are recorded as current assets as they are expected to be realised in, or are intended for sale within the Group's normal operating cycle. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing and selling. Upon completion, the assets are recorded as properties held for sale.

Borrowing costs

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

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Foreign currencies

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefits costs

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

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

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

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

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into loans and receivables, held-to-maturity investments and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All purchases or sales of financial assets in the regular way are recognised and derecognised on a trade date basis. Purchases or sales in the regular way are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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 debtors, amounts due from joint ventures, associates and related companies, restricted bank deposits and bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see the accounting policy on impairment loss on financial assets below).

Available-for-sale investments

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

Impairment of financial assets

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

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

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

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

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated under investment revaluation reserve.

Financial liabilities and equity

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

Equity instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Borrowings

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

Other financial liabilities

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

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

Derecognition

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

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

Share-based payment transactions

Share options granted to employees

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

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

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

The Group accounts for the cancellation of share options as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. In estimating the amount to be recognised in the event of cancellation, the Group takes into account the Group's estimate of the number of options that would have vested had the cancellation not occurred.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Construction contracts

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

Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation, which involves certain estimates of market conditions. In relying on the valuation report, the Directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

Determination of net realisable value of properties under development for sale and properties held for sale

Properties under development for sale and properties held for sale are stated at lower of the cost and net realisable value. The net realisable value is the estimated selling price (based on the direct comparison method) less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information and valuation performed by independent professional valuers. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, the loss will be recognised on the properties under development for sale and properties held for sale in the consolidated statement of profit or loss.

Impairment of other assets

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

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

Impairment of other assets (continued)

As disclosed in note 24(b), at 31 December 2014, receivables of HK$411 million (2013:HK$400 million) are expected to be settled when the legal title of the property is transferred to the buyer, which is expected to take place within the next twelve months from the end of the reporting period. In determining the recoverable amount of such a receivable, the management has exercised judgement in estimating the timing and future cash flows to be recovered and determined that no impairment was necessary at the end of the reporting period. If the actual recoverable amount or timing of recovery are different from expectation, an impairment loss may arise.

Impairment of interests in joint ventures

At the end of the reporting period, the Group reviews the carrying amount of its investment in joint ventures to determine whether there is any indication that those investments have suffered an impairment loss. When there is an indication of impairment, 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 with its carrying amount. The recoverable amount is the higher of value in use and fair value less costs of disposal. Specifically, with regards to the Group's 45% interest in Lafarge Shui On Cement Limited, it has determined that the recoverable amount to be the value in use which the Group has estimated its share of future cash flows expected to be generated by the joint venture which are then discounted to their present value. The Group has concluded that no impairment is required to be recognised after the impairment assessment. If the actual recoverable amount or timing of recovery are different from expectation, an impairment loss may have to be recognised.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the Directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties of HK$2,087 million (2013: HK$2,096 million) are held to earn rental income and they are considered to be held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on these investment properties at fair value is measured based on the tax consequences of recovering the carrying amounts of the investment properties through use.

The remaining investment properties of the Group with fair value of HK$1,297 million (2013: HK$2,567 million), in the opinion of the Directors of the Company, are held under a business model whose objective is to recover through sale. These investment properties are classified as assets classified as held for disposal (note 27) and the deferred tax in relation to these investment properties is measured based on the tax consequences of recovering the carrying amounts entirely through sale.

Financial guarantee contracts

As disclosed in note 40, at 31 December 2014, the Group has provided guarantees under financial guarantee contracts for an aggregate amount of HK$1,926 million (2013: HK$1,425 million). In determining whether provision should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgement in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation. The Directors of the Company are of the opinion that it is not probable that outflow of resources will result from the financial guarantee contracts. Accordingly, no provision has been recognised in the consolidated statement of financial position. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

6. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

Categories of financial instruments

	2014 **HK$ million**	2013 HK$ million
Financial assets		
Available-for-sale investments	**55**	71
Held-to-maturity investments	**–**	127
Loans and receivables (including cash and cash equivalents)	**9,336**	10,371
Financial liabilities		
Amortised cost	**8,261**	10,820

(a) Market risk

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

(i) Interest rate risk

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

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. An increase or decrease of 100 basis points (2013: 100 basis points) is used when reporting the interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been increased/decreased by 100 basis points (2013: 100 basis points) and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately HK$63 million for the year ended 31 December 2014 (2013: HK$85 million).

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(ii) Foreign currency risk

Most of the Group's financial assets and financial liabilities are denominated in Hong Kong dollars or Renminbi, which are the same as the functional currency of the relevant group entities. The Group has certain bank balances and cash, current accounts with joint ventures and borrowings, which are denominated in foreign currencies and hence exposure to exchange rate fluctuations arises. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

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

	2014 **HK$ million**	2013 HK$ million
Assets		
Renminbi	**–**	127
United States dollars	**135**	97
Hong Kong dollars	**22**	85
Liabilities		
Renminbi	**190**	191
United States dollars	**427**	388
Hong Kong dollars	**992**	800

Foreign currency sensitivity

The Group's foreign currency risk is mainly concentrated on the fluctuation among Renminbi, the United States dollars and Hong Kong dollars. The sensitivity analysis does not include those United States dollars denominated assets and liabilities when they are held by group entities having Hong Kong dollars as their functional currency since the exchange rates between United States dollars and Hong Kong dollars are pegged. The following table details the Group's sensitivity to a 7% (2013: 7%) change in the functional currencies of the relevant group entities against foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 7% (2013: 7%) change in foreign currency rates. The following table indicates the impact to the loss before tax where the foreign currencies strengthen against the functional currencies of the relevant group entities. For a 7% (2013: 7%) weakening of the foreign currencies against the functional currencies of the relevant group entities, there would be an equal and opposite impact on the loss. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Decrease (increase) in loss	**2014** **HK$ million**	2013 HK$ million
Renminbi	**(13)**	(4)
United States dollars	**9**	7
Hong Kong dollars	**(68)**	(50)

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(iii) Other price risk

The Group is exposed to equity price risk through its available-for-sale investments. If the market price of the investments had been increased/decreased by 20% (2013: 20%), the Group's reserve at 31 December 2014 would increase/decrease by approximately HK$11 million (2013: HK$14 million), which will be recognised in profit or loss if the drop is considered as an impairment loss.

(b) Credit risk

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

The Group has certain concentration of credit risk in respect of amounts due from joint ventures, associates and trade debtors and other receivables. At 31 December 2014, 48% (2013: 44%) of total amounts due from joint ventures and 26% (2013: 26%) of total trade debtors and other receivables was due from one single joint venture and a counterparty respectively. The amounts due from associates represented the receivables solely from an associate. At 31 December 2014, other receivables of HK$411 million (2013: HK$400 million) were due from this counterparty and a guarantee of HK$687 million (2013: HK$689 million) was issued by the Company in respect of this counterparty. In order to reduce credit risk, the Group has procedures in place to monitor the credit standing of this counterparty and to ensure that follow-up action is taken to recover these debts. The Group also reviews the recoverable amounts of the relevant debts and the probability of default by the counterparty at the end of each reporting period. The Directors of the Company considered that no provision for impairment loss is necessary at the end of the reporting period. Except for the above, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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

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

(c) Capital risk

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

The capital structure of the Group consists of debts, which include bank and other borrowings, and equity attributable to the owners of the Company, comprising issued share capital, reserves and retained profits.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

(c) Capital risk (continued)

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

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the Group's contractual maturity for its financial liabilities as well as certain financial assets. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. For financial assets, the table reflects the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand or less than 3 months (note 2)	3 months to 1 year	1-2 years	2-3 years	Total undiscounted cash flow	Carrying amount
	% p.a.	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 31 December 2014							
Bank deposits	**0.29%**	**225**	**–**	**–**	**–**	**225**	**225**
Trade and other payables	**–**	**(1,200)**	**(373)**	**(48)**	**–**	**(1,621)**	**(1,621)**
Bank and other borrowings							
– variable rate	**3.84%**	**(2,706)**	**(3,467)**	**(142)**	**(72)**	**(6,387)**	**(6,288)**
– fixed rate	**13.16%**	**–**	**(222)**	**(18)**	**(175)**	**(415)**	**(352)**
		(3,681)	**(4,062)**	**(208)**	**(247)**	**(8,198)**	**(8,036)**
Financial guarantee contracts (note 1)	**–**	**(125)**	**(1,071)**	**(141)**	**(589)**	**(1,926)**	**–**
At 31 December 2013							
Bank deposits	2.21%	853	–	–	–	853	849
Trade and other payables	–	(2,071)	(490)	(54)	–	(2,615)	(2,615)
Bank and other borrowings							
– variable rate	3.71%	(2,658)	(4,402)	(1,333)	–	(8,393)	(8,205)
		(3,876)	(4,892)	(1,387)	–	(10,155)	(9,971)
Financial guarantee contracts (note 1)	–	(140)	(829)	(280)	(176)	(1,425)	–

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

(d) Liquidity risk (continued)

Notes:

1. At the end of the reporting period, the Group has provided financial guarantees to certain parties (note 40). In the event of the failure of those parties to meet their obligations under these facilities, the Group may be required to pay up to the guaranteed amounts upon demand. Management does not consider that it is probable for these parties to claim the Group under these guarantees.
2. Bank borrowings of HK$1,188 million at 31 December 2014 are included in the "on demand or less than 3 months" time band in the above maturity analysis but they are attributable to long-term bank borrowings with maturity dates over one year from 31 December 2014 in accordance with the original repayment schedules stipulated in the related facility agreements being reclassified as current liabilities at 31 December 2014 due to the breach of certain financial covenants stipulated in the facility agreements of these bank borrowings. Subsequent to the end of the reporting period, except for a bank loan of HK$231 million, the Group has obtained waivers from all the banks of the HK$957 million loans to waive the financial covenants concerned and not to demand for immediate repayment of these loans, hence these bank borrowings will be due and repayable according to the original terms of repayment. On this basis, the interest and principal maturity profile of the "bank and other borrowings at variable rate" in the above analysis would be as follows:

	Weighted average effective interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-3 years	Total undiscounted cash flow	Carrying amount
	% p.a.	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 31 December 2014							
Bank and other borrowings – variable rate	3.84%	(1,757)	(3,504)	(1,121)	(72)	(6,454)	(6,288)

(e) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value measurements recognised in the consolidated statement of financial position

At 31 December 2014 and 31 December 2013, the only financial instrument of the Group that was measured subsequent to initial recognition at fair value is available-for-sale investments, of which the fair value was classified as level 1 fair value measurement and was derived from unadjusted quoted prices available on the Hong Kong Stock Exchange (active market).

7. TURNOVER AND SEGMENT INFORMATION

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

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

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

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

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(a) Reportable segment revenue and profit or loss

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

For the year ended 31 December 2014

	Property HK$ million	Construction and building maintenance HK$ million	Cement operations through LSOC HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE					
Sales of goods	**400**	**2**	**–**	**18**	**420**
Rental income	**40**	**–**	**–**	**–**	**40**
Revenue from rendering of services	**43**	**11**	**–**	**2**	**56**
Construction contract revenue	**–**	**5,586**	**–**	**–**	**5,586**
Revenue from external customers	**483**	**5,599**	**–**	**20**	**6,102**
Inter-segment revenue	**–**	**21**	**–**	**–**	**21**
	483	**5,620**	**–**	**20**	**6,123**
Share of joint ventures/associates' revenue	**571**	**1**	**3,345**	**68**	**3,985**
Total segment revenue	**1,054**	**5,621**	**3,345**	**88**	**10,108**
Inter-segment revenue is charged at mutually agreed prices.					
Reportable segment results	**(710)**	**125**	**(311)**	**(32)**	**(928)**
Segment results have been arrived at after crediting (charging):					
Depreciation and amortisation	**(7)**	**(5)**	**–**	**(1)**	**(13)**
Interest income	**97**	**4**	**6**	**1**	**108**
Dividend income from available-for-sale investments	**2**	**–**	**–**	**–**	**2**
Fair value changes on investment properties	**(63)**	**–**	**–**	**–**	**(63)**
Loss on disposal of interests in joint ventures	**(7)**	**–**	**–**	**–**	**(7)**
(Loss) gain on disposal of subsidiaries	**(20)**	**9**	**–**	**–**	**(11)**
Loss on disposal of investment properties held for disposal	**(67)**	**–**	**–**	**–**	**(67)**
Share of results of joint ventures					
Property development	**(358)**	**–**	**–**	**–**	**(358)**
Cement operations through LSOC	**–**	**–**	**(325)**	**–**	**(325)**
Cement operations in Guizhou	**–**	**–**	**–**	**4**	**4**
Venture capital investments	**–**	**–**	**–**	**(28)**	**(28)**
					(707)
Share of results of associates					
Property development	**(113)**	**–**	**–**	**–**	**(113)**

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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

For the year ended 31 December 2013

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

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Reportable segment assets and liabilities

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

At 31 December 2014

	Property	Construction and building maintenance	Cement operations through LSOC	Others	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Reportable segment assets	**12,806**	**2,028**	**3,177**	**1,675**	**19,686**
Reportable segment liabilities	**2,562**	**1,686**	**–**	**974**	**5,222**

At 31 December 2013

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

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

	Year ended 31 December	
	2014	2013
	HK$ million	HK$ million
Revenue		
Reportable segment revenue	**10,108**	12,521
Elimination of inter-segment revenue	**(21)**	(109)
Elimination of share of revenue of joint ventures/associates	**(3,985)**	(4,460)
Consolidated turnover	**6,102**	7,952

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December	
	2014	2013
	HK$ million	HK$ million
Loss before taxation		
Reportable segment results	**(928)**	146
Unallocated other income	**6**	4
Finance costs	**(372)**	(368)
Other unallocated corporate expenses	**(51)**	(112)
Consolidated loss before taxation	**(1,345)**	(330)

	At 31 December	
	2014	2013
	HK$ million	HK$ million
Assets		
Reportable segment assets	**19,686**	24,811
Elimination of inter-segment receivables	**(1,258)**	(1,733)
Other unallocated assets	**92**	42
Consolidated total assets	**18,520**	23,120

	At 31 December	
	2014	2013
	HK$ million	HK$ million
Liabilities		
Reportable segment liabilities	**5,222**	7,486
Elimination of inter-segment payables	**(1,258)**	(1,733)
Unallocated liabilities		
– Bank and other borrowings	**5,934**	6,967
– Taxation and others	**752**	1,009
Consolidated total liabilities	**10,650**	13,729

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(d) Other segment information

At 31 December 2014

	Property HK$ million	Construction and building maintenance HK$ million	Cement operations through LSOC HK$ million	Others HK$ million	Total HK$ million
Interests in joint ventures and associates	**263**	**2**	**3,147**	**116**	**3,528**
Capital expenditure	**40**	**7**	**–**	**–**	**47**
Tax charges	**(17)**	**29**	**–**	**2**	**14**

At 31 December 2013

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

(e) Geographical information

The Group operates in two principal geographical areas – Hong Kong and the PRC (excluding Hong Kong).

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers*		Non-current assets**	
	2014 HK$ million	2013 HK$ million	**2014 HK$ million**	2013 HK$ million
Hong Kong	**3,715**	3,017	**18**	17
PRC (excluding Hong Kong)	**2,387**	4,935	**2,110**	2,137
	6,102	7,952	**2,128**	2,154

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

** Non-current assets exclude available-for-sale investments, interests in associates and joint ventures, amounts due from associates and joint ventures, and trade debtors.

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(f) Information about major customers

Included in external revenue arising from construction and building maintenance of HK$5,599 million (2013: HK$4,829 million) is revenue of HK$1,332 million and HK$981 million, which arose from services provided to the Group's largest and second largest customers respectively (2013: HK$1,015 million and HK$878 million from the Group's largest and second largest customers respectively) contributing over 10% of the total turnover of the Group.

8. OTHER INCOME AND GAINS

	2014 **HK$ million**	2013 HK$ million
Included in other income are:		
Interest income	**114**	110
Imputed interest income on loans to joint ventures/associates	**–**	30

9. FINANCE COSTS

	2014 **HK$ million**	2013 HK$ million
Interest on bank loans and overdrafts and other loans wholly repayable within 5 years	**305**	376
Other borrowing costs	**67**	62
Less: amounts capitalised to properties under development	**–**	(70)
	372	368

10. TAXATION

	2014 HK$ million	2013 HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**16**	19
PRC Enterprise Income Tax	**133**	137
PRC Land Appreciation Tax	**131**	126
	280	282
Deferred taxation (note 32)	**(266)**	260
	14	542

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

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

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

Details of the deferred taxation are set out in note 32.

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

	2014 HK$ million	2013 HK$ million
Loss before taxation	**(1,345)**	(330)
Tax at Hong Kong Profits Tax rate of 16.5% (2013: 16.5%)	**(222)**	(54)
Effect of share of results of joint ventures	**117**	70
Effect of share of results of associates	**19**	16
Effect of different tax rates on operations in other jurisdictions	**(30)**	27
PRC Land Appreciation Tax	**17**	126
Tax effect of PRC Land Appreciation Tax	**(3)**	(21)
Tax effect of expenses not deductible for tax purposes	**140**	145
Tax effect of income not taxable for tax purposes	**(63)**	(124)
Tax effect of tax losses not recognised	**39**	48
Tax effect of utilisation of tax losses previously not recognised	**(6)**	–
Additional deferred tax in relation to revaluation of investment properties	**–**	317
Underprovision (overprovision) of current taxation in prior year	**1**	(11)
Others	**5**	3
Tax charge for the year	**14**	542

11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors and Chief Executives

The emoluments paid or payable to each of the nine (2013: nine) Directors were as follows:

Name of Directors	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments (Note g) HK$'000	2014 Total HK$'000	2013 Total HK$'000
Mr. Lo Hong Sui, Vincent		10	–	–	–	–	10	10
Mr. Choi Yuk Keung, Lawrence	(a)	10	4,741	–	627	(1,175)	4,203	5,714
Mr. Wong Fook Lam, Raymond	(b)	10	4,441	–	580	(1,178)	3,853	5,328
Mr. Wong Yuet Leung, Frankie	(c)	280	–	–	–	–	280	405
Mr. Wong Kun To, Philip	(d)	250	–	–	–	(1,962)	(1,712)	6,054
Mr. Tsang Kwok Tai, Moses	(e)	380	–	–	–	–	380	410
Mr. Gerrit Jan de Nys	(f)	430	–	–	–	–	430	420
Ms. Li Hoi Lun, Helen	(f)	434	–	–	–	–	434	425
Mr. Chan Kay Cheung	(f)	571	–	–	–	–	571	560
Total		2,375	9,182	–	1,207	(4,315)	8,449	19,326
2013		2,380	11,370	9,868	723	(5,015)	19,326	

Notes:

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

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

(c) Mr. Wong Yuet Leung, Frankie did not stand for reappointment as a Non-executive Director upon expiration of the term of his service contract on 31 August 2014.

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

(e) Mr. Tsang Kwok Tai, Moses re-designated from the role of Independent Non-executive Director to Non-executive Director with effect from 8 September 2014.

(f) Independent Non-executive Directors.

(g) The amount included credit adjustments made in relation to the cancellation of certain share options that taken place in the current year. The amount for the year ended 31 December 2013 included credit adjustments made in relation to the revision of the vesting probability of certain options granted in previous years.

(h) Neither the chief executives nor any of the directors waived any emolument in the year ended 31 December 2014 and 2013.

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

Directors and Chief Executives (continued)

Of the five highest paid individuals in the Group, two (2013: three) are Directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2013: two) highest paid employees were as follows:

	2014 **HK$ million**	2013 HK$ million
Salaries, bonuses and allowances	**12**	10
Retirement benefits scheme contributions	**1**	–
Share-based payments	**1**	–
	14	10

The emoluments were within the following band:

	2014 **No. of employees**	2013 No. of employees
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,500,001 to HK$6,000,000	**1**	1

12. LOSS FOR THE YEAR

	2014 HK$ million	2013 HK$ million
Loss for the year has been arrived at after charging (crediting):		
Cost of sales (note):		
Cost of construction	**5,334**	4,508
Cost of properties sold	**341**	2,692
Cost of goods sold	**15**	78
Cost of rendering services	**60**	71
Direct rental outgoings arising from investment properties	**51**	41
	5,801	7,390
Depreciation and amortisation:		
Prepaid lease payments	**–**	1
Property, plant and equipment	**15**	38
Less: amounts capitalised	**–**	(2)
	15	37
Staff costs (including directors' emoluments) (note):		
Salaries, bonuses and allowances	**596**	595
Retirement benefits cost	**37**	34
Share-based payment expense	**8**	2
Less: amounts capitalised	**–**	(10)
	641	621
Gross rental revenue from investment properties	**(40)**	(44)
Less: direct rental outgoings (note)	**51**	41
Net rental expenses (income)	**11**	(3)
Auditors' remuneration	**5**	5
Operating lease payments in respect of rented premises	**20**	17
Provision of impairment loss in respect of interests in joint ventures	**–**	14
(Gain) loss on disposal of property, plant and equipment and leasehold land	**(9)**	42

Note: Cost of sales includes HK$516 million (2013: HK$448 million) relating to staff costs and direct rental outgoings, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

13. DIVIDENDS

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

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014.

14. LOSS PER SHARE

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

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

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

15. INVESTMENT PROPERTIES

	Completed investment properties HK$ million	Investment properties under construction HK$ million	Total HK$ million
FAIR VALUE			
At 1 January 2013	2,510	1,555	4,065
Exchange adjustments	83	38	121
Additions	15	113	128
Increase in fair value recognised	338	11	349
Reclassification upon completion	1,314	(1,314)	–
Reclassified as assets classified as held for disposal	(2,164)	(403)	(2,567)
At 31 December 2013	2,096	–	2,096
Exchange adjustments	**(7)**	**–**	**(7)**
Additions	**31**	**–**	**31**
Decrease in fair value recognised	**(33)**	**–**	**(33)**
At 31 December 2014	**2,087**	**–**	**2,087**

The investment properties are situated in the PRC under medium-term leases.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2014 and 31 December 2013 has been arrived at on the basis of valuations carried out on that date by Savills Valuation and Professional Services Limited, an independent qualified professional valuer not connected to the Group, which has appropriate qualifications and recent experience in the valuation of similar properties in relevant locations.

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

For investment properties under construction, the valuation has been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated by using the method of capitalisation of net income derived from the properties with consideration of the prevailing market yield. The valuation has also taken into account various costs, such as construction cost, contingency cost, finance cost and professional fees that will be expended to complete the development as well as the developer's profit, which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuer based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

15. INVESTMENT PROPERTIES (CONTINUED)

During the year ended 31 December 2013, certain of the Group's investment properties were reclassified to assets classified as held for disposal upon meeting the conditions for such classification (note 27).

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

The major inputs used in the fair value measurement of investment properties and information about the fair value hierarchy at 31 December 2014 and 31 December 2013 are as follows:

Completed Investment properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 1 – Shenyang Project Phase I retail portion	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.5% (2013: 7.5%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant increase in fair value of property 1, and vice versa
		(2) Monthly market rent	Monthly market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB80-179 (2013: RMB78-174) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A slight increase in the monthly market rent used would result in a significant increase in fair value of property 1, and vice versa
Property 2 – Chongqing Creative Concepts Center retail portion	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 5.5% (2013: 6.0%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant increase in fair value of property 2, and vice versa
		(2) Monthly market rent	Monthly market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB132-264 (2013: RMB133-265) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A slight increase in the monthly market rent used would result in a significant increase in fair value of property 2, and vice versa

Investment properties classified as assets held for disposal	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 3 – Shanghai Lakeville Regency Tower 18	Level 3	Comparison Approach The key input is: Market unit rate	Market unit rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB103,000 (2013: RMB106,063) per sqm on gross floor area basis	The higher the market unit rate, the higher the fair value.	A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa

16. PROPERTY, PLANT AND EQUIPMENT

	Properties in other regions of the PRC HK$ million	Plant and machinery HK$ million	Motor vehicles HK$ million	Equipment, furniture and other assets HK$ million	Total HK$ million
AT COST					
At 1 January 2013	62	7	31	96	196
Additions	9	–	4	13	26
Acquisition of a subsidiary	–	5	4	1	10
Disposals	(56)	–	(2)	(7)	(65)
Exchange adjustments	2	–	–	1	3
At 31 December 2013	17	12	37	104	170
Additions	**–**	**–**	**7**	**11**	**18**
Disposals	**(16)**	**–**	**(5)**	**(15)**	**(36)**
Disposal of subsidiaries	**–**	**(4)**	**(2)**	**(4)**	**(10)**
At 31 December 2014	**1**	**8**	**37**	**96**	**142**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2013	25	4	18	77	124
Charge for the year	22	1	5	10	38
Eliminated on disposals	(46)	–	(2)	(5)	(53)
Exchange adjustments	1	1	1	1	4
At 31 December 2013	2	6	22	83	113
Charge for the year	**–**	**1**	**5**	**9**	**15**
Eliminated on disposals	**(2)**	**–**	**(3)**	**(15)**	**(20)**
Eliminated on disposal of subsidiaries	**–**	**(2)**	**(2)**	**(2)**	**(6)**
At 31 December 2014	**–**	**5**	**22**	**75**	**102**
CARRYING VALUES					
At 31 December 2014	**1**	**3**	**15**	**21**	**40**
At 31 December 2013	15	6	15	21	57

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Properties in other regions of the PRC (all of which are buildings located on land held under medium-term leases)	2.5% or remaining lease term, if shorter
Plant and machinery	10 – 25%
Motor vehicles, equipment, furniture and other assets	20 – 50%

17. INTERESTS IN JOINT VENTURES

(i) Joint ventures

	2014 HK$ million	2013 HK$ million
Cost of unlisted investments in joint ventures, net of impairment	**3,815**	3,855
Share of post-acquisition losses and other comprehensive income	**(598)**	(157)
	3,217	3,698

Particulars of the principal joint ventures are set out in note 44.

Notes:

(a) Goodwill of HK$136 million (2013: HK$136 million) is included in the cost of unlisted investments in joint ventures. The goodwill arose from the contributions to a joint venture, Lafarge Shui On Cement Limited.

(b) During the year, the Group entered into a sale and purchase agreement (the "Agreement") to dispose of 43.5% interest in an investee, which owns a property development project in Chengdu, to a new investor. As one of the conditions precedent to closing of the Agreement, the Group bought back the 49% interest in the investee from the previous shareholder. However, completion of the disposal did not take place because certain conditions precedent have not been fulfilled by the new investor and the transaction has been terminated. Immediately thereafter, the Group succeeded in disposing of 19% interest in the investee to another investor (the "New Shareholder") in June 2014. As a result, the Group held a 81% interest in this investee at 31 December 2014. Pursuant to the terms and conditions of the shareholders' agreement, the Group granted an option to the New Shareholder to require the Group to acquire all of the shares in the investee owned by the New Shareholder and the outstanding shareholder's loan plus accrued interest owed to it (the "Put Option") at an exercise price, the maximum amount of which could be 19% of the then fair market value of the consolidated net assets of the investee plus the then outstanding principal amount of the shareholder's loan and accrued interest. In addition, the New Shareholder granted an option to the Group that gives the Group a right to require the New Shareholder to sell all of the shares in the investee owned by the New Shareholder to the Group (the "Call Option"), at a pre-determined price. Both the Put Option and the Call Option are exercisable at any time subject to the satisfaction of certain conditions. The Directors of the Company have assessed that the fair value of both the Put Option and Call Option are insignificant at 31 December 2014. Pursuant to the terms stipulated under the shareholders' agreement, unanimous approvals from all shareholders are required for significant decisions relating to the relevant activities of the investee. In addition, the Call Option will become exercisable only if the shareholder's loan owed to the New Shareholder is fully repaid, which is considered as a substantive condition to be met before the option can be exercised. For these reasons, the Group has concluded that it only have joint control over the relevant activities of the investee, and accordingly the investee is classified as a joint venture because the Group has rights to the net assets of the investee (rather than rights to the assets and obligations for the liabilities of the investee). Details of the transaction are set out in the announcements of the Company dated 23 January 2014 and 26 June 2014.

(c) During the year, the Group disposed of its entire interest in a joint venture, which owns a property development in Tianjin. Details of the transaction are set out in an announcement of the Company dated 17 April 2014.

(d) In December 2014, the Group entered into a conditional sale and purchase agreement to acquire an additional 10% interest in a joint venture, which owns a completed property development in Shanghai. Following completion of the acquisition, the Group will own 80% share interest in this joint venture, which will continue to be accounted for as a joint venture in the consolidated financial statements of the Group as decisions about the relevant activities of the project continue to require unanimous consent of the joint venturers. The transaction has not been completed on the date when the consolidated financial statements are authorised for issue. Details of the transaction are set out in an announcement of the Company dated 31 December 2014.

Summarised financial information of material joint ventures

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

17. INTERESTS IN JOINT VENTURES (CONTINUED)

(i) Joint ventures (continued)

Summarised financial information of material joint ventures (continued)

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

	31 December 2014 HK$ million	31 December 2013 HK$ million
Current assets	**6,490**	6,835
Non-current assets	**18,444**	19,074
Current liabilities	**(12,152)**	(11,811)
Non-current liabilities	**(4,546)**	(5,022)
Non-controlling interests	**(2,154)**	(2,246)

The above amounts of assets and liabilities include the following:

	31 December 2014 HK$ million	31 December 2013 HK$ million
Cash and cash equivalents	**1,296**	1,355
Current financial liabilities (excluding trade and other payables and provisions)	**(6,987)**	(6,584)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(3,701)**	(4,141)

	Year ended 31 December 2014 HK$ million	Year ended 31 December 2013 HK$ million
Revenue	**8,979**	9,093
Loss after tax	**(650)**	(621)
Other comprehensive expense for the year	**–**	–
Total comprehensive expense for the year	**(650)**	(621)

The above loss for the year includes the following:

	Year ended 31 December 2014 HK$ million	Year ended 31 December 2013 HK$ million
Depreciation and amortisation	**867**	825
Interest income	**8**	5
Interest expense	**785**	774
Income tax expense	**185**	103

17. INTERESTS IN JOINT VENTURES (CONTINUED)

(i) Joint ventures (continued)

Summarised financial information of material joint ventures (continued)

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

	31 December 2014 HK$ million	31 December 2013 HK$ million
Net assets of the joint venture	**6,082**	6,830
Proportion of the Group's ownership interest in the joint venture	**45%**	45%
Goodwill	**136**	136
Share of other reserves of LSOC, not taken up by the Group	**302**	319
Adjustments for unrealised gain and others	**(28)**	(28)
Carrying amount of the Group's interest in the joint venture	**3,147**	3,501

Aggregate information of joint ventures that are not individually material

The summarised financial information in respect of the joint ventures that are not individually material to the Group at and for each of the years ended 31 December 2014 and 31 December 2013 attributable to the Group's interest is as follows:

	2014 HK$ million	2013 HK$ million
Loss after tax	**(382)**	(126)
Total comprehensive expense	**(369)**	(126)

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

	2014 HK$ million	2013 HK$ million
Unrecognised share of losses of the joint venture for the year	**(11)**	(8)
Accumulated unrecognised share of losses of the joint venture	**(67)**	(56)

(ii) Joint operations

During the year ended 31 December 2013, the Group formed a joint operation, China State – Shui On Joint Venture, for the design and construction of the Centre of Excellence in Paediatrics in Hong Kong. The Group has a 40% interest in this joint operation, which is set up and operating in Hong Kong.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2014 HK$ million	2013 HK$ million
Available-for-sale investments comprise:		
Listed equity securities in Hong Kong (classified as level 1 fair value measurement and is derived from quoted market price)	**55**	71

Available-for-sale investments at 31 December 2014 and 31 December 2013 represent the Group's equity interest in Shui On Land Limited ("SOL"). At 31 December 2014, the Group held a 0.4% (31 December 2013: 0.4%) equity interest in SOL.

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

19. INTERESTS IN ASSOCIATES

	2014 HK$ million	2013 HK$ million
Cost of unlisted investments in associates	**158**	135
Share of post-acquisition profits and other comprehensive income	**153**	281
	311	416

Particulars of the principal associates are set out in note 45.

The summarised financial information in respect of the associates that are not individually material to the Group at and for each of the years ended 31 December 2014 and 31 December 2013 attributable to the Group's interest is as follows:

	2014 HK$ million	2013 HK$ million
Loss after tax	**(113)**	(98)
Total comprehensive expense	**(113)**	(98)

20. AMOUNTS DUE FROM/TO JOINT VENTURES

	2014 HK$ million	2013 HK$ million
Amounts due from joint ventures		
Non-current (note a)	**2,725**	2,388
Current (note b)	**1,122**	1,158
	3,847	3,546
Amounts due to joint ventures (note c)	**376**	484

Notes:

(a) The balances are unsecured and repayable on demand, but not expected to be recovered in the next twelve months from the end of the reporting period. Out of the total balance, a total of HK$2,519 million (2013: HK$2,010 million) bear interest from 3.74% to 13.00% (2013: 3.71% to 13.18%) per annum and the rest is carried at amortised cost using the effective interest rate of 7.68% (2013: 7.68%) per annum.

(b) The balances are unsecured, interest-free and repayable on demand. In the opinion of the Directors of the Company, the balances will be recoverable in the twelve months from the end of the reporting period.

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

21. AMOUNTS DUE FROM/TO ASSOCIATES

	2014 HK$ million	2013 HK$ million
Amounts due from associates		
Non-current (note a)	**854**	865
Current (note b)	**555**	498
	1,409	1,363
Amounts due to associates (note b)	**2**	3

Notes:

(a) The balances represent advances to associates for financing the development of Dalian Tiandi. The advances are unsecured and have no fixed terms of repayment. Pursuant to the joint venture agreement, other than an amount of HK$242 million (2013: HK$242 million), which bears interest at 5% per annum, the remaining amount is interest-free until the independent co-investor of the project has contributed its portion of the advances. Thereafter, all advances will bear interest at a rate of 5% per annum, subject to the joint venture partners' approval. The amounts are carried at amortised cost using the effective interest rate of 4.8% (2013: 4.8%) per annum.

(b) The balances are unsecured and repayable on demand. Out of the total balance, a total of HK$316 million (2013: HK$255 million) bear interest at 6.16% per annum and the rest is interest-free.

22. INVENTORIES AND CONTRACTS IN PROGRESS

	2014 HK$ million	2013 HK$ million
Inventories		
Raw materials	**1**	1
	1	1

	2014 HK$ million	2013 HK$ million
Contracts in progress		
Costs incurred to date	**8,145**	14,431
Recognised profits less recognised losses	**355**	511
	8,500	14,942
Less: Progress billings	**(8,499)**	(14,913)
Net contract work	**1**	29
Represented by:		
Amounts due from customers for contract work	**295**	426
Amounts due to customers for contract work	**(294)**	(397)
	1	29

23. PROPERTIES HELD FOR SALE/PROPERTIES UNDER DEVELOPMENT FOR SALE

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

	2014 HK$ million	2013 HK$ million
Properties held for sale		
In other regions of the PRC	**554**	843
Properties under development for sale		
In other regions of the PRC (note)	**820**	874

Note:

Properties under development for sale of HK$820 million at 31 December 2014 (2013: HK$815 million) represent the carrying value of the properties expected to be completed and available for sale after one year from the end of the reporting period.

24. OTHER CURRENT ASSETS

Debtors, deposits and prepayments

	2014 **HK$ million**	2013 HK$ million
Trade debtors	**645**	990
Less: Allowance for doubtful debts	**(1)**	(1)
	644	989
Less: amounts classified as amounts due from joint ventures, associates and related companies	**–**	(336)
Retention receivable	**197**	231
Consideration receivables in respect of disposal of subsidiaries/a joint venture	**32**	32
Prepayments, deposits and other receivables (note b)	**784**	667
	1,657	1,583
Less: amounts due for settlement after 12 months	**(25)**	(38)
	1,632	1,545

Notes:

(a) The Group maintains a defined credit policy to assess the credit quality of each counterparty. Collections are closely monitored to minimise any credit risk associated with trade debtors. The general credit term ranges from 30 to 90 days.

(b) Included in prepayments, deposits and other receivables are receivables of HK$411 million (2013: HK$400 million) due from CCP's former subsidiaries (the "Debtor"), which hold a property interest in the PRC and were disposed of in 2008. The amounts are repayable on demand and out of the total outstanding balance, an amount of HK$152 million (2013: HK$153 million) carries interest at prevailing market rates. A court in the PRC issued a notice to attach the aforesaid property interest until November 2015 to cause the Debtor to settle part of the outstanding receivable in the amount of RMB120 million (approximately HK$152 million) and its related interests. In addition to these receivables, the Company has provided a guarantee in relation to a loan granted to the Debtor (see note 40(d)). In the opinion of the Directors of the Company, given that there have been continued positive outcomes in the legal disputes in relation to the property interest, these receivables will be fully settled and the guarantee provided by the Company will be released either after completion of the transfer of the legal title to the aforesaid property interest to the Debtor or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

24. OTHER CURRENT ASSETS (CONTINUED)

Debtors, deposits and prepayments (continued)

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

	2014 **HK$ million**	2013 HK$ million
Trade debtors aged analysis:		
Not yet due or within 90 days	**625**	911
Amounts past due but not impaired:		
91 days to 180 days	**7**	6
181 days to 360 days	**4**	40
Over 360 days	**8**	32
	19	78
	644	989
Retention receivable is analysed as follows:		
Due within one year	**132**	171
Due after one year	**65**	60
	197	231

Movement in the allowance for doubtful debts

	2014 **HK$ million**	2013 HK$ million
Balance at beginning/end of the year	**1**	1

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

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

Bank balances, deposits and cash

Bank balances, deposits and cash comprise cash held by the Group and deposits with maturity of three months or less held with banks. Balances at 31 December 2013 included an amount of HK$150 million, which was earmarked for payments of certain properties under development (2014: Nil). For the purposes of the consolidated statement of cash flows, cash and cash equivalents at 31 December 2014 amounted to HK$1,919 million (2013: HK$2,606 million). Bank balances carry interest at market rates, which range from 0.01% to 0.35% (2013: 0.01% to 2.86%) per annum.

24. OTHER CURRENT ASSETS (CONTINUED)

Other financial asset

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

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

	2014 **HK$ million**	2013 HK$ million
Amounts due from related companies	**15**	196
Amounts due to related companies	**287**	201
Amounts due to non-controlling shareholders of subsidiaries	**3**	3

The related companies are subsidiaries of SOCL.

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

26. RESTRICTED BANK DEPOSITS

Balances at 31 December 2014 represent custody deposits amounting to HK$516 million placed with banks in relation to certain short-term banking facility arrangements of the Group.

Balances at 31 December 2013 represented (i) custody deposits amounted to HK$714 million placed with banks and financial institution in relation to certain banking facility arrangements and guarantees of the Group; (ii) initial deposit of HK$148 million received from the purchaser for the disposal of interest in a property project in Shenyang; and (iii) deposit of HK$84 million temporarily placed with a bank for the acquisition of a property project in Nanjing.

The balances carried interest at market rates, which ranged from 0.35% to 2.36% (2013: 0.39% to 2.86%) per annum.

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

	2014 **HK$ million**	2013 HK$ million
Disposal of a subsidiary (note a)		
Interest in an associate	**387**	–
Investment properties under construction	**–**	403
Property under development for sale	**–**	1,509
Debtors, deposits and prepayments	**–**	1
Bank balances, deposits and cash	**–**	1
	387	1,914
Disposal of other assets (note b)		
Investment properties	**1,297**	2,164
Total assets classified as held for disposal	**1,684**	4,078
Disposal of a subsidiary (note a)		
Creditors and accrued charges	**–**	(39)
Sales deposit received	**–**	(148)
Deferred tax liabilities	**–**	(38)
Bank borrowings (note 29)	**–**	(318)
	–	(543)
Total liabilities associated with assets classified as held for disposal	**–**	(543)

Notes:

(a) In December 2013, the Group entered into a conditional sale and purchase agreement with an independent third party (the" Purchaser") to dispose of 80% of the issued share capital of, and to assign 80% of the shareholder's loan made to this subsidiary (the "Subsidiary"), which indirectly owns a property development project in Shenyang. The transaction was completed in January 2014. Following the disposal and pursuant to the terms of the agreement, the Subsidiary became a 20% associate of the Group. According to the terms of the agreement, the Group has an option to require the Purchaser to acquire its 20% interest in the Subsidiary, exercisable after satisfaction of certain post-completion conditions (the "Conditions"), at a pre-determined price. The Purchaser also has an option exercisable at any time after 18 months following the date of the shareholders' deed to require the Group to sell to the Purchaser all of its shares in and the shareholder's loan owing to the Group by the Subsidiary at the same exercise price. Based on the present assessment, the Directors of the Company are confident that such Conditions would be fulfilled within twelve months from the end of the reporting period and it is highly probable that the Group will exercise the option to require the Purchaser to acquire the 20% interest immediately upon fulfillment of the Conditions. Accordingly, the 20% interest was classified as assets classified as held for disposal in the Group's consolidated statement of financial position at 31 December 2014. The assets and liabilities attributable to the Subsidiary were respectively classified as assets classified as held for disposal and liabilities associated with assets classified as held for disposal in the Group's consolidated statement of financial position at 31 December 2013. Details of this transaction are set out in note 39(a).

(b) In late 2013, management of the Company decided to change the intention to sell certain investment properties, which were held under operating leases, on strata-title basis, and the sale plan was initiated in December 2013. The disposal of these properties is expected to be completed within one year from the end of the reporting period, therefore, these investment properties were reclassified as assets classified as held for disposal in the Group's consolidated statement of financial position at 31 December 2014 and 2013. During the year, the fair value of the investment properties decreased by HK$30 million, which was charged to the consolidated statement of profit or loss. Currently around 65% of the remaining value of these investment properties has been sold.

28. CREDITORS AND ACCRUED CHARGES

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

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

Notes:

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

(b) The balances include retention payable of HK$48 million (2013: HK$54 million), which is due after one year from the end of the reporting period.

29. BANK AND OTHER BORROWINGS

	2014 HK$ million	2013 HK$ million
Secured bank loans	**2,325**	3,762
Unsecured bank loans	**4,125**	4,443
Other secured loans	**190**	–
	6,640	8,205
Less:		
Amounts due within 12 months	**(5,311)**	(6,892)
Classified as current liabilities for reporting purpose (note)	**(957)**	–
	(6,268)	(6,892)
Classified as non-current liabilities for reporting purpose	**372**	1,313
Carrying amount repayable based on scheduled repayment dates set out in the loan agreements are as follows:		
Within one year	**5,311**	6,892
More than one year but not exceeding two years	**1,097**	1,313
More than two years but not exceeding five years	**232**	–
	6,640	8,205

The carrying amount of the Group's bank and other loans is analysed as follows:

Denominated in	Interest rate (per annum)	2014 HK$ million	2013 HK$ million
At variable rates			
Renminbi	7.50% (2013: 3.75% to 7.69%)	**114**	629
Hong Kong dollars	2.39% to 5.31% (2013: 1.97% to 4.72%)	**5,749**	7,188
United States dollars	3.05% to 3.21% (2013: 3.16% to 3.21%)	**425**	388
At fixed rates			
Renminbi	11.00% to 15.00% (2013: nil)	**352**	–
		6,640	8,205

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

29. BANK AND OTHER BORROWINGS (CONTINUED)

Note:

As at 31 December 2014, the Group had bank and other borrowings of HK$6,640 million, of which HK$4,197 million were in breach of certain financial covenants as stipulated in the relevant bank loan agreements. Subsequent to the end of the reporting period, the Group has obtained waivers from the banks concerned with respect to compliance of the stipulated financial covenants for a total of HK$3,871 million loans and repaid another HK$95 million loan before maturity. For the remainder of HK$231 million loan, the relevant bank is seeking approval from its overseas head office for the waiver.

Included in the aforementioned HK$4,197 million bank borrowings, an aggregate amount of HK$1,188 million loans with maturity dates over one year was wholly reclassified as current liabilities in the consolidated statement of financial position at 31 December 2014 as required by applicable accounting standard, despite the fact that waivers have been granted by the relevant banks for a total of HK$957 million loans and these loans will be due and repayable after 2015 in accordance with the original terms of repayment.

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

	2014 **HK$ million**	2013 HK$ million
Investment properties	**3,011**	4,663
Properties under development for sale	**–**	744
Amounts due from joint ventures	**13**	13
	3,024	5,420

Notes:

(a) Custody deposits amounting to HK$516 million (2013: RMB561 million (HK$714 million)) at 31 December 2014 and foreign exchange linked note amounted to RMB100 million (HK$127 million) at 31 December 2013 were placed with banks in relation to certain banking facility arrangements entered into with the Group.

(b) In addition, certain equity interests in some subsidiaries and joint ventures were also charged to banks as security for certain banking facilities granted to the Group at the end of the reporting period.

30. SHARE CAPITAL

	2014 **Number of shares**	2013 Number of shares	**2014** **HK$ million**	2013 HK$ million
Ordinary shares of HK$1 each:				
Authorised				
At the beginning and the end of the year	**1,000,000,000**	1,000,000,000	**1,000**	1,000
Issued and fully paid				
At the beginning of the year	**483,992,111**	492,248,421	**484**	492
Repurchase of shares	**–**	(10,046,000)	**–**	(10)
Exercise of share options	**418,053**	1,789,690	**–**	2
At the end of the year	**484,410,164**	483,992,111	**484**	484

30. SHARE CAPITAL (CONTINUED)

During the year ended 31 December 2013, the Company repurchased a total of 10,046,000 of its own shares on the Stock Exchange at prices ranging from HK$8.95 to HK$9.00 per share, for a total consideration of HK$90 million. The repurchased shares were cancelled upon repurchase and the issued share capital of the Company was reduced by the nominal value of the repurchased shares. The premium of approximately HK$80 million paid on the repurchased shares was debited to the share premium account.

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

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

31. RETIREMENT BENEFIT PLANS

Hong Kong

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

Mandatory Provident Fund Scheme

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

The Group's contributions to the MPF Scheme charged to the consolidated statement of profit or loss as staff cost during the year amounted to HK$13 million (2013: HK$11 million). The amount of employer's voluntary contributions to the MPF Scheme forfeited for the year ended 31 December 2014 and 31 December 2013 was immaterial and was used to reduce the existing level of contributions.

Defined Benefit Scheme

Contributions to the Scheme are made by the members at 5% of their salaries and by the Group at rates, which are based on recommendations made by the actuary to the Scheme. The current employer contribution rate is 15.3% (2013: 14.5%) of the members' salaries. Under the Scheme, a member is entitled to retirement benefits, which comprise the sum of any benefits transferred from another scheme and the greater of the sum of the employer's scheduled contribution plus the member's contribution (both contributions being calculated on the scheme salary of the member) accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the years of service in the Scheme on the attainment of the retirement age of 60. For members who joined the Scheme before 1997, the retirement age is 60 for male members and 55 for female members.

31. RETIREMENT BENEFIT PLANS (CONTINUED)

Hong Kong (continued)

Defined Benefit Scheme (continued)

The Scheme typically exposes the Company to the following key risks:

Investment risk

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

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

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

Interest rate risk

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

Salary risk

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

The most recent actuarial valuations of the Scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2014 by Ms. Elaine Hwang of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

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

	2014	2013
Discount rate	**1.6%**	1.8%
Expected rate of salary increase	**6.0% p.a.**	5.0% p.a.

The actuarial valuation shows that the fair value of the Scheme assets attributable to the Group at 31 December 2014 was HK$429 million (2013: HK$411 million), representing 75% (2013: 80%) of the benefits that has accrued to members.

31. RETIREMENT BENEFIT PLANS (CONTINUED)

Hong Kong (continued)

Defined Benefit Scheme (continued)

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

	Year ended 31 December	
	2014	2013
	HK$ million	HK$ million
Current service cost	**15**	16
Net interest on net defined benefit liabilities	**2**	1
Administrative expenses paid from scheme assets	**2**	2
Defined benefit cost recognised in the consolidated statement of profit or loss	**19**	19
Actuarial loss due to experience adjustment	**17**	35
Actuarial loss (gain) due to financial assumption changes	**27**	(27)
Actuarial loss due to demographic assumption changes	**–**	5
Return on Scheme assets greater than discount rate	**(6)**	(31)
Remeasurement effects recognised in the consolidated statement of other comprehensive income	**38**	(18)
Total	**57**	1

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

	2014	2013
	HK$ million	HK$ million
Present value of defined benefit obligation	**(569)**	(515)
Fair value of Scheme assets	**429**	411
Defined benefit liabilities included in the consolidated statement of financial position	**(140)**	(104)

The Scheme assets do not include any shares in the Company (2013: Nil).

31. RETIREMENT BENEFIT PLANS (CONTINUED)

Hong Kong (continued)

Defined Benefit Scheme (continued)

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

	2014 HK$ million	2013 HK$ million
At the beginning of the year	**515**	510
Current service cost	**15**	16
Interest cost	**9**	2
Employees' contributions	**7**	7
Actuarial loss – experience adjustment	**17**	35
Actuarial loss (gain) – financial assumptions	**27**	(27)
Actuarial loss – demographic assumptions	**–**	5
Benefits paid	**(16)**	(27)
Transfer out	**(5)**	(6)
At the end of the year	**569**	515

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

	2014 HK$ million	2013 HK$ million
At the beginning of the year	**411**	398
Interest income on Scheme assets	**7**	2
Return on scheme assets greater than discount rate	**6**	30
Employers' contributions	**21**	9
Employees' contributions	**7**	7
Benefits paid	**(16)**	(27)
Transfer out	**(5)**	(6)
Administrative expenses paid from scheme assets	**(2)**	(2)
At the end of the year	**429**	411

31. RETIREMENT BENEFIT PLANS (CONTINUED)

Hong Kong (continued)

Defined Benefit Scheme (continued)

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

	2014 **HK$ million**	2013 HK$ million
Equities	**284**	241
Hedge funds	**45**	70
Bonds and cash	**100**	100
	429	411

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

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

	Adopted rate	Change to Adopted rate	Rate used in sensitivity analysis	Effect on DBO HK$ million	Effect on DBO %
At 31 December 2014					
Discount rate	**1.6%**	**+0.25%**	**1.85%**	**(9)**	**(1.7%)**
		–0.25%	**1.35%**	**10**	**1.7%**
Expected rate of salary increase	**6.0%**	**+0.25%**	**6.25%**	**10**	**1.7%**
		–0.25%	**5.75%**	**(10)**	**(1.7%)**
At 31 December 2013					
Discount rate	1.8%	+0.25%	2.05%	(9)	(1.7%)
		–0.25%	1.55%	9	1.8%
Expected rate of salary increase	5.0%	+0.25%	5.25%	9	1.8%
		–0.25%	4.75%	(9)	(1.7%)

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

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

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

31. RETIREMENT BENEFIT PLANS (CONTINUED)

Hong Kong (continued)

Defined Benefit Scheme (continued)

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

	2014 **HK$ million**	2013 HK$ million
Expected employer contributions	**21**	19
Expected member contributions	**7**	7

The weighted average duration of the defined benefit obligation at 31 December 2014 is 6.4 years (2013: 6.7 years).

PRC

The employees of the Company's subsidiaries in the PRC are members of state-managed retirement plans operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement plans to fund the benefits. The only obligation of the Group with respect to the retirement plans is to make the specified contributions. The Group's contributions to state-managed retirement plans charged to the consolidated statement of profit or loss as staff cost during the year amounted to HK$6 million (2013: HK$4 million).

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

32. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$ million	**Revaluation of properties HK$ million**	**Tax losses HK$ million**	**Total HK$ million**
At 1 January 2013	(1)	(482)	25	(458)
Exchange adjustments	–	(10)	1	(9)
Reclassify as assets classified as held for disposal (note 27)	–	38	–	38
Charge to consolidated statement of profit or loss	–	(260)	–	(260)
At 31 December 2013	(1)	(714)	26	(689)
Exchange adjustments	**–**	**3**	**–**	**3**
(Charge) credit to consolidated statement of profit or loss	**(1)**	**267**	**–**	**266**
At 31 December 2014	**(2)**	**(444)**	**26**	**(420)**

32. DEFERRED TAXATION (CONTINUED)

Notes:

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

(b) At 31 December 2014, the Group had unused tax losses of HK$1,119 million (2013: HK$922 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK$100 million (2013: HK$100 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$1,019 million (2013: HK$822 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2014 are tax losses of approximately HK$494 million (2013: HK$336 million) that will expire within 5 years from the year of originating. Other tax losses may be carried forward indefinitely.

(c) Under the tax regulations of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Group's PRC investees from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to profits earned by the Company's PRC subsidiaries amounting to HK$629 million at 31 December 2014 (2013: HK$624 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

33. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment properties earned during the year ended 31 December 2014 was HK$40 million (2013: HK$44 million).

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

	2014 **HK$ million**	2013 HK$ million
Within one year	**22**	29
In the second to fifth years inclusive	**55**	13
After five years	**30**	–
	107	42

As lessee

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

	2014 **HK$ million**	2013 HK$ million
Within one year	**20**	12
In the second to fifth years inclusive	**20**	11
	40	23

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

34. CAPITAL COMMITMENTS

(a) At 31 December 2014, the Group had no significant capital commitments (2013: HK$102 million).

(b) At 31 December 2014, the Group's share of capital commitments of its joint ventures mainly in relation to property, plant and equipment is as follows:

	2014	2013
	HK$ million	HK$ million
Authorised but not contracted for	**–**	–
Contracted but not provided for	**95**	149

35. SHARE-BASED PAYMENTS

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

1. Purpose

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

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

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

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

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

2. Eligible participants

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

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

35. SHARE-BASED PAYMENTS (CONTINUED)

3. Total number of shares available for issue under the Share Option Scheme

(a) 10% limit

Subject to the following paragraph, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 10% of the shares of the Company in issue at the date of approval of the Share Option Scheme (excluding options which have lapsed) (the "Scheme Mandate Limit").

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the shareholders in general meeting. The Company may also seek separate approval of the shareholders in general meeting for granting options beyond the Scheme Mandate Limit or the refreshed limit, provided that the options in excess of such limit are granted only to eligible participants specifically identified by the Company before such approval is sought.

(b) 30% limit

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

4. Maximum entitlement of each participant

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

5. Performance target

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

6. Minimum period for which an option must be held

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

7. Exercise price

The exercise price is determined by the Board and shall be not less than the highest of: (a) the closing price of a share of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (b) the average closing price of the shares of the Company as shown in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company.

8. Amount payable upon acceptance of option

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

35. SHARE-BASED PAYMENTS (CONTINUED)

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

			Number of shares subject to options							
Date of grant	Grant	Subscription price per share HK$	At 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year (Note 1)	At 31 December 2014	Period during which share options outstanding are exercisable	Average closing reference price for exercise of options HK$ (Note 2)
9 April 2009	3	7.63	855,279	–	(234,053)	(621,226)	–	–	9 October 2009 to 8 April 2014	9.54
9 April 2009	4	7.63	380,000	–	–	–	–	380,000	9 April 2012 to 8 April 2019	–
12 April 2010	6	12.22	5,010,000	–	–	(480,000)	–	4,530,000	12 October 2010 to 11 April 2015	–
12 April 2010	7	12.22	2,450,000	–	–	–	–	2,450,000	12 April 2013 to 11 April 2020	–
13 May 2011	8	10.66	4,206,000	–	–	(666,000)	–	3,540,000	13 November 2011 to 12 May 2016	–
23 June 2011	9	10.90	1,930,000	–	–	(250,000)	–	1,680,000	23 December 2011 to 22 June 2016	–
28 July 2011	10	10.00	46,300,000	–	–	(1,250,000)	(37,050,000)	8,000,000	1 May 2015 to 27 July 2021	–
26 November 2012	11	8.18	4,242,000	–	(184,000)	(444,000)	–	3,614,000	26 May 2013 to 25 November 2017	9.56
14 June 2013	12	9.93	4,850,000	–	–	(430,000)	–	4,420,000	14 December 2013 to 13 June 2018	–
			70,223,279	–	(418,053)	(4,141,226)	(37,050,000)	28,614,000		
Number of shares subject to options exercisable at the end of the year								15,284,000		

35. SHARE-BASED PAYMENTS (CONTINUED)

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

Notes:

1. During the year, the Company cancelled portions of the share options granted on 28 July 2011. The Company has accounted for the cancellation as an acceleration of vesting, and recognised immediately the amount taken into account the estimate of insignificant amount of share options that would have vested had the cancellation not occurred.
2. The average closing reference price represented the average of the closing prices of the Company's shares at the dates on which the share options were exercised during the year, weighted by the number of shares subject to the options exercised by such category of eligible participants.

35. SHARE-BASED PAYMENTS (CONTINUED)

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

For Grants 1, 3, 6, 8, 9, 11 and 12:

20%: 6 months after the date of grant

20%: 1st anniversary of the date of grant

20%: 2nd anniversary of the date of grant

20%: 3rd anniversary of the date of grant

20%: 4th anniversary of the date of grant

For Grant 5:

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

The vesting schedule is as follows:

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

For Grant 4:

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

The vesting schedule is as follows:

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

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

35. SHARE-BASED PAYMENTS (CONTINUED)

For Grant 2:

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

For Grant 7:

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

The vesting schedule is as follows:

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

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

For Grant 10:

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

35. SHARE-BASED PAYMENTS (CONTINUED)

For Grant 10: (continued)
The vesting schedule is as follows:

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

The fair values of services received in return for share options granted is measured by reference to the fair value of share options granted. Except for Grant 4, which adopts the Monte Carlo model, the estimate of the fair value of the share options granted is measured based on the Binomial model. The inputs into the models were as follows:

	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5	Grant 6
Date of grant	7 May 2008	7 May 2008	9 April 2009	9 April 2009	5 June 2009	12 April 2010
Average fair value	HK$5.06	HK$5.09	HK$2.26	HK$2.16	HK$3.80	HK$4.33
Share price on the date of grant	HK$19.28	HK$19.28	HK$7.27	HK$7.27	HK$11.78	HK$12.22
Exercise price	HK$19.76	HK$19.76	HK$7.63	HK$7.63	HK$11.90	HK$12.22
Expected volatility	42% p.a.	42% p.a.	52% p.a.	52% p.a.	55% p.a.	55% p.a.
Average expected life	4 years	4 years	5 years	5 years	3.5 years	5 years
Average risk-free rate	2.35% p.a.	2.37% p.a.	1.56% p.a.	1.91% p.a.	1.10% p.a.	1.70% p.a.
Expected dividend paid	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	4% p.a.
Rate of leaving service	3% p.a.	3% p.a.	3.5% p.a.	n/a	3% p.a.	3% p.a.
Expected volatility of HSI TRI	n/a	n/a	n/a	38% p.a.	n/a	n/a
Expected correlation between TSR of the Company and HSI TRI	n/a	n/a	n/a	58% p.a.	n/a	n/a

	Grant 7	Grant 8	Grant 9	Grant 10	Grant 11	Grant 12
Date of grant	12 April 2010	13 May 2011	23 June 2011	28 July 2011	26 November 2012	14 June 2013
Average fair value	HK$4.73	HK$3.66	HK$3.72	HK$3.71	HK$1.95	HK$1.65
Share price on the date of grant	HK$12.22	HK$10.66	HK$10.90	HK$10.00	HK$8.10	HK$9.93
Exercise price	HK$12.22	HK$10.66	HK$10.90	HK$10.00	HK$8.18	HK$9.93
Expected volatility	48% p.a.	53% p.a.	53% p.a.	47% p.a.	40% p.a.	30% p.a.
Average expected life	10 years	5 years	5 years	8 years	5 years	5 years
Average risk-free rate	2.64% p.a.	1.34% p.a.	1.04% p.a.	1.99% p.a.	0.26% p.a.	0.66% p.a.
Expected dividend paid	4% p.a.	4% p.a.	4% p.a.	4% p.a.	4.5% p.a.	5% p.a.
Rate of leaving service	0% p.a.	3% p.a.	3% p.a.	3% p.a.	3% p.a.	4% p.a.

No share options were granted by the Company pursuant to the Share Option Scheme during the year ended 31 December 2014. Therefore, no consideration was received by the Company for taking up any share option during the year (2013: HK$113).

The Group recognised a total expense of HK$8 million for the year ended 31 December 2014 (2013: HK$2 million) in relation to share options granted by the Company.

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

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

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

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

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

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

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

	HK$ million
Property under development for sale	741
Property, plant and equipment	1
Debtors, deposits and prepayments	12
Bank balances, deposits and cash	5
Creditors and accrued charges	(1)
Shareholders' loans	(393)
Amounts due to related companies	(66)
Net assets of the subsidiary acquired	299
Transferred from interests in joint ventures	(198)
Cash consideration paid	101
Total consideration satisfied by:	
Cash consideration paid – current year	48
Cash consideration paid – 2013	53
	101
Net cash outflow arising on acquisition:	
Cash consideration paid	(101)
Cash and cash equivalents acquired	5
	(96)

37. ACQUISITION OF A SUBSIDIARY

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

The net assets acquired in the transaction were as follows:

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

38. DISPOSAL OF PROPERTY INVENTORIES THROUGH DISPOSAL OF SUBSIDIARIES

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

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

	HK$ million
Properties held for sale	491
Net assets disposed of	491
Gain on disposal	146
Costs incurred in connection with the disposal	57
Consideration	694
Total consideration satisfied by:	
Cash consideration received – current year	72
Cash consideration received – prior years	585
Consideration outstanding at 31 December 2014	37
	694
Net cash inflow arising on disposal:	
Cash consideration received – current year	72
Cash consideration received – prior years	585
Costs incurred in connection with the disposal	(57)
	600

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

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

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

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

39. DISPOSAL OF SUBSIDIARIES

(a) In December 2013, the Group entered into a sale and purchase agreement with an independent third party to dispose of 80% of the issued share capital of, and assign 80% of the shareholder's loan made to a subsidiary, which was classified as held for disposal at 31 December 2013. The transaction was completed in January 2014. Following the disposal and pursuant to the terms of the agreement, this subsidiary became a 20% associate of the Group and is classified as held for disposal at 31 December 2014. Details of the transaction are set out in an announcement and a circular of the Company dated 3 December 2013 and 6 January 2014 respectively.

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

	HK$ million
Assets classified as held for disposal	
Investment property	**403**
Property under development for sale	**1,511**
Liabilities associated with assets classified as held for disposal	
Deferred tax liabilities	**(38)**
Net assets disposed of	**1,876**
Consideration	**1,510**
Net assets disposed of	**(1,876)**
Fair value of 20% retained interest in an associate	**388**
Cumulative other reserve reclassified to profit or loss	**6**
Transaction costs incurred in connection with the disposal	**(48)**
Loss on disposal	**(20)**
Total consideration satisfied by:	
Cash consideration received – current year	**1,362**
Sales deposit received – 2013	**148**
	1,510
Net cash inflow arising on disposal:	
Cash consideration received – current year	**1,362**
Sales deposit received – 2013	**148**
Transaction costs paid	**(18)**
	1,492

39. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) In August 2014, the Group entered into agreements with the SOL group to sell the Group's equity interests in and the related shareholders' loans to certain subsidiaries, which are engaged in the construction, interior fit-out and renovation businesses in the PRC. The transaction was completed in October 2014. Details of the transaction are set out in an announcement and a circular of the Company dated 21 August 2014 and 25 September 2014 respectively.

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

	HK$ million
Property, plant and equipment	4
Interest in a joint venture	6
Debtors, deposits and prepayments	225
Amounts due from customers for contract work	60
Amounts due from joint ventures	307
Amounts due from associates	59
Amounts due from related companies	559
Bank balances, deposits and cash	164
Creditors and accrued charges	(557)
Amounts due to customers for contract work	(198)
Amounts due to Group's companies	(220)
Amounts due to associates	(5)
Taxation payable	(9)
Non-controlling interests	(26)
Net assets disposed of	369
Consideration	355
Net assets disposed of	(369)
Cumulative exchange differences reclassified to profit or loss	26
Transaction costs incurred in connection with the disposal	(3)
Gain on disposal	9
Total consideration satisfied by:	
Cash consideration received	340
Consideration outstanding at 31 December 2014	15
	355
Net cash inflow arising on disposal:	
Cash consideration received	340
Cash and cash equivalents disposed of	(164)
Transaction costs incurred in connection with the disposal	(3)
	173

40. CONTINGENT LIABILITIES

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

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

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

(c) Effective share of a guarantee issued in favour of a joint venture (the "Joint Venture", which was formed between an associate and an independent third party (the "Joint Venture Partner")) and the Joint Venture Partner for an amount not exceeding RMB99 million (HK$125 million) (2013: RMB110 million (HK$140 million)) in respect of certain of the Group's payment obligations to the Joint Venture and the Joint Venture Partner.

(d) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of CCP at that time (the "Former Subsidiary"). Subsequently, the Former Subsidiary was sold by CCP in 2008, but the Company remained as the guarantor for the bank loan following the disposal (see note 24(b) for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee to October 2015, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$687 million) at 31 December 2014 (2013: RMB542 million (HK$689 million)) and the related interests is secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

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

41. MATERIAL RELATED PARTY TRANSACTIONS

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

Nature of transactions	2014 HK$ million	2013 HK$ million
SOCL and its subsidiaries		
Construction work income	**563**	577
Dividend income	**2**	2
Management and information system services	**1**	1
Rental expenses	**2**	3

The outstanding balances with SOCL Private Group at the end of the reporting period are disclosed in note 25.

41. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

Nature of transactions	2014 HK$ million	2013 HK$ million
Interest income	**319**	233
Imputed interest income	**9**	7
Management fee income	**51**	99
Construction/subcontracting work income	**373**	125
Revenue from sales of goods	**2**	75
Construction/subcontracting cost	**1**	3

The outstanding balances with joint ventures at the end of the reporting period are disclosed in note 20.

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

Nature of transactions	2014 HK$ million	2013 HK$ million
Interest income	**32**	64
Imputed interest income	**22**	23
Management fee income	**11**	12
Construction/subcontracting work income	**40**	15

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

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

(e) During the year, the Group was granted unsecured non-interest bearing short-term loan of HK$60 million from a wholly-owned subsidiary of SOCL, which was repaid in the same year.

(f) During the year, the Group disposed of its construction business in the Mainland to certain wholly-owned subsidiaries of SOL for an aggregated consideration of HK$355 million (note 39(b)).

(g) During the year ended 31 December 2013, the Group repaid unsecured non-interest bearing short-term loans of HK$50 million and RMB10 million (HK$12 million) to the wholly-owned subsidiaries of SOCL.

41. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2014 HK$ million	2013 HK$ million
Fees	**2**	2
Salaries and other benefits	**26**	29
Performance bonuses	**4**	17
Retirement benefit scheme contributions	**3**	2
Share-based payments	**(2)**	(6)
	33	44

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

Certain of the above related party transactions also constituted non-exempt connected transactions and continuing connected transactions of the Company under Chapter 14A of the Listing Rules, details of which are disclosed under the Directors' Report section.

42. EVENT AFTER THE REPORTING PERIOD

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

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries at 31 December 2014 and 31 December 2013, which principally affect the results or assets of the Group. All the companies listed below were incorporated and are operating in Hong Kong except as otherwise indicated.

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Construction and building maintenance business				
Dynamic Mark Limited	100 ordinary shares (HK$100) 3,000,000 non-voting deferred shares (HK$3,000,000)	–	80%	Investment holding
P.D. (Contractors) Limited	1,000,000 ordinary shares (HK$1,000,000)	–	92%	Renovation work
Pacific Extend Limited	10,000 ordinary shares (HK$10,000) 6,000 special shares (HK$6,000)	–	67%	Maintenance contractor
Pat Davie Limited	2,600,100 ordinary shares (HK$2,600,100) 100,000 non-voting deferred shares (HK$1,000,000) 6,800,000 non-voting deferred shares (HK$6,800,000)	–	92%	Interior decoration, fitting out, design and contracting
Pat Davie (Macau) Limited##	Two quotas of total face value of MOP1,000,000	–	92%	Interior decoration, fitting out, design and contracting
Shui On Building Contractors Limited	117,000,100 ordinary shares of (HK$117,000,100) 33,000,100 non-voting deferred shares (HK$33,000,100) 50,000 non-voting deferred shares (HK$50,000,000)	–	100%	Building construction and maintenance
Shui On Construction Company Limited	100 ordinary shares (HK$100) 69,000,000 non-voting deferred shares (HK$69,000,000) 1,030,000 non-voting deferred shares (HK$103,000,000)	–	100%	Building construction

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Construction and building maintenance business (continued)				
Shui On Contractors Limited*	1 share of US$1	100%	–	Investment holding
Shui On Plant and Equipment Services Limited	16,611,000 ordinary shares (HK$16,611,000) 45,389,000 non-voting deferred shares (HK$45,389,000)	–	100%	Owning and leasing of plant and machinery and structural steel construction work
Cement operations				
Glorycrest Holdings Limited*	1 share of US$1	–	100%	Investment holding
Shui On Building Materials Limited	100 ordinary shares (HK$100) 1,000,000 non-voting deferred shares (HK$1,000,000)	–	100%	Investment holding
Shui On Cement (Guizhou) Limited*	100,000 shares of US$1 each	–	100%	Investment holding
Shui On Materials Limited*	1 share of US$1	100%	–	Investment holding
貴州瑞安水泥發展管理有限公司**+ (Guizhou Shui On Cement Development Management Co. Ltd.)	Registered and paid up capital of US$670,000	–	100%	Provision of consultancy services
貴州凱里建安混凝土有限公司**+ (Guizhou Kaili Ken On Concrete Co., Ltd.)	Registered and paid up capital of RMB10,000,000	–	100%	Supply of ready mixed concrete
貴州凱里瑞安水泥有限公司**+ (Guizhou Kaili Shui On Cement Co. Ltd.)	Registered and paid up capital of RMB60,000,000	–	100%	Trading of cement
Tinsley Holdings Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Top Bright Investments Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Winway Holdings Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Property business				
Jade City International Limited	2 ordinary shares (HK$2)	–	100%	Property holding
New Rainbow Investments Limited*	1 share of US$1	100%	–	Investment holding
Brilliance Investments Limited*	1 share of US$1	100%	–	Investment holding
Main Zone Group Limited*	1 share of US$1	100%	–	Investment holding
China Central Properties Limited^	281,193,011 shares of GBP0.01 each	57.12%	42.88%	Investment holding
Shui On China Central Properties Limited*	1 share of US$1	–	100%	Investment holding
Dalian Shengyuan Real Estate Consulting Co., Ltd.**+	Registered and paid up capital of RMB50,000,000	–	100%	Investment holding
北京億達房地產開發有限公司**++ (Beijing Yida Real Estate Development Co., Ltd.)	Registered and paid up capital of RMB30,000,000	–	100%	Property development
北京超騰投資管理有限公司**++ (Beijing Chaoteng Investment Management Co., Ltd.)	Registered and paid up capital of RMB10,000,000	–	100%	Property investment
Chengdu Shui On Huiyuan Property Co., Ltd.**+	Registered and paid up capital of US$21,000,000	–	100%	Property development
Chongqing Hui Zheng Properties Co., Ltd.**+	Registered and paid up capital of US$75,000,000	–	100%	Property development
Honest Joy Investments Limited*	100 shares of US$1 each	–	100%	Investment holding
Pacific Hill Limited	1 ordinary share (HK$1)	–	100%	Investment holding
Shenyang Hua Hui Properties Co. Ltd.**+	Registered and paid up capital of US$70,000,000	–	100%	Property development

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Property business (continued)				
廣州英發房地產開發有限公司**+ (Guangzhou Infotach Property Development Co., Ltd.)	Registered and paid up capital of US$64,700,000	–	100%	Property development
SOCAM Asset Management Limited*	1 share of US$1	100%	–	Investment holding
SOCAM Asset Management (HK) Limited	1 ordinary share (HK$1)	–	100%	Provision of management services
Beijing SOCAM Real Estate Consulting Co., Ltd.**+	Registered and paid up capital of RMB800,000	–	100%	Provision of consultancy services
Shui On Project Management (China) Limited*	1 share of US$1	–	100%	Investment holding
Trillion Earn Limited	1 ordinary share (HK$1)	–	100%	Investment holding
High Spirit Project Management Consultancy Limited	1 ordinary share (HK$1)	–	100%	Project management consultancy services
Poly Edge Enterprises Limited*	1 share of US$1	100%	–	Investment holding
Max Clear Holdings Limited*	1 share of US$1	100%	–	Provision of management services
Dalian Zhong Hui Construction Materials Co., Ltd.**+	Registered and paid up capital of US$32,000,000	–	100%	Wholesale of construction materials
Broad Wise Limited*	100 shares of US$1 each	–	100%	Investment holding
遵義天時利房地產開發有限公司**+ (Zunyi Tinsley Real Estate Development Co., Ltd.)	Registered and paid up capital of HK$388,000,000	–	100%	Property development

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Other businesses				
Rise Huge International Limited*	1 share of US$1	100%	–	Investment holding
Gold Honour Holdings Limited*	1 share of US$1	100%	–	Investment holding
Lamma Rock Products Limited	100 ordinary shares (HK$1,000) 3,500,000 non-voting deferred shares (HK$35,000,000)	–	100%	Investment holding
T H Industrial Management Limited#	2,740 ordinary shares of US$1 each	–	100%	Investment holding
Chongqing Yugang Foreign Investment Consulting Limited**++	Registered and paid up capital of RMB800,000	–	100%	Provision of investment consultation

* Incorporated in the British Virgin Islands
** Established and operated in other regions of the PRC
*** Incorporated in Mauritius
\# Incorporated in the Bahamas
\## Incorporated in Macau Special Administrative Region of the PRC
^ Incorporated in Isle of Man
\+ Wholly-foreign owned enterprise
++ Limited liability company

None of the subsidiaries had any debt securities subsisting at 31 December 2014 or at any time during the year.

Note:

1. 瑞安建築有限公司 (Shui On Construction Co., Ltd.,) Dalian Jiarui Science & Technology Development Co., Ltd., and 重慶豐德豪門實業有限公司 (Chongqing Fengde Haomen Co., Ltd.), indirectly held subsidiaries of the Company, were disposed of during the year ended 31 December 2014.

2. The equity interest held by the Group in 瀋陽中匯達房地產有限公司 (Shenyang Zhong Hui Da Properties Co., Ltd.) was decreased from 100% to 20% during the year ended 31 December 2014.

44. PARTICULARS OF PRINCIPAL JOINT VENTURES

The Directors are of the opinion that a complete list of the particulars of all joint ventures will be of excessive length and therefore the following list contains only the particulars of principal joint ventures of the Group at 31 December 2014 and 31 December 2013. All the companies listed below were incorporated and are operating in Hong Kong except otherwise indicated.

44. PARTICULARS OF PRINCIPAL JOINT VENTURES (CONTINUED)

Indirect joint ventures	Issued and paid up share capital/ registered and paid up capital	Effective interest held by the Group	Principal activities	Notes
Construction and building maintenance business				
Brisfull Limited	5,000,000 ordinary shares (HK$5,000,000)	50%	Sale and installation of aluminium window products	
Super Race Limited	420,000 ordinary shares (HK$420,000)	50%	Supply of sink units and cooking benches	
鶴山超合預制件有限公司**@ (Heshan Chaohe Yizhi Jian Co. Ltd.)	Registered and paid up capital of US$1,284,600	50%	Manufacture of sink units and cooking benches	1
Cement operations				
Sichuan Shuangma Cement Co., Ltd.**@	Registered and paid up capital of RMB615,862,000	31.2%	Production and sales of cement and cement related products	
Chongqing TH New Building Materials Co., Ltd.**@	Registered and paid up capital of RMB41,500,000	33.75%	Production and sales of cement and cement related products	
Chongqing TH Diwei Cement Co., Ltd.**@	Registered and paid up capital of RMB274,078,000	43.77%	Production and sales of cement and cement related products	
Chongqing TH Fuling Cement Co., Ltd.**+	Registered and paid up capital of RMB44,000,000	45%	Production and sales of cement and cement related products	
Chongqing TH Special Cement Co. Ltd.**@	Registered and paid up capital of RMB210,000,000	36%	Production and sales of cement and cement related products	
Chongqing Lafarge Shui On Cantian Cement Co., Ltd.**@	Registered and paid up capital of RMB270,000,000	33.3%	Production and sales of cement and cement related products	
Guangan TH Cement Co., Ltd.**+	Registered and paid up capital of RMB110,000,000	45%	Production and sales of cement and cement related products	3

44. PARTICULARS OF PRINCIPAL JOINT VENTURES (CONTINUED)

Indirect joint ventures	Issued and paid up share capital/ registered and paid up capital	Effective interest held by the Group	Principal activities	Notes
Cement operations (continued)				
Guizhou Bijie Shui On Cement Co., Ltd.**@	Registered and paid up capital of RMB48,000,000	80%	Manufacture and sale of cement	1
Guizhou Dingxiao Shui On Cement Co., Ltd.**+	Registered and paid up capital of RMB264,256,751	45%	Production and sales of cement and cement related products	
Zunyi Sancha Lafarge Shui On Cement Co., Ltd.**+	Registered and paid up capital of RMB440,672,000	45%	Production and sales of cement and cement related products	
Guizhou Shuicheng Shui On Cement Co., Ltd.**@	Registered and paid up capital of RMB200,000,000	31.5%	Production and sales of cement and cement related products	
貴州遵義瑞安水泥有限公司**@ (Guizhou Zunyi Shui On Cement Co. Ltd)	Registered and paid up capital of RMB92,000,000	80%	Manufacture and sale of cement	1
Lafarge Chongqing Cement Co., Ltd.**@	Registered and paid up capital of RMB340,000,000	35.73%	Production and sales of cement and cement related products	
Lafarge Dujiangyan Cement Co., Ltd.**@	Registered and paid up capital of RMB856,839,300	26.85%	Production and sales of cement and cement related products	
Lafarge Shui On Cement Limited	2,089,199 ordinary shares (HK$6,525,457,575.55)	45%	Investment holding	
Nanjing Jiangnan Cement Co., Ltd.**@	Registered and paid up capital of RMB120,000,000	60%	Manufacture and trading of cement	1
Panzhihua Jinsha Cement Co., Ltd.**	Registered and paid up capital of RMB10,000,000	45%	Production and sales of cement and cement related products	
Yunnan Shui On Construction Materials Investment Holding Co., Ltd.**+	Registered and paid up capital of RMB1,000,000,000	45%	Investment holding	
Yunnan State Assets Cement Chuxiong Co., Ltd.**	Registered and paid up capital of RMB32,600,000	45%	Production and sales of cement and cement related products	

44. PARTICULARS OF PRINCIPAL JOINT VENTURES (CONTINUED)

Indirect joint ventures	Issued and paid up share capital/ registered and paid up capital	Effective interest held by the Group	Principal activities	Notes
Cement operations (continued)				
Yunnan State Assets Cement Dongjun Co., Ltd.**	Registered and paid up capital of RMB260,000,000	45%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Haikou Co., Ltd.**	Registered and paid up capital of RMB54,556,806	45%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Honghe Co., Ltd.**	Registered and paid up capital of RMB263,785,829	45%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Jianchuan Co., Ltd.**	Registered and paid up capital of RMB122,483,913	45%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Kunming Co., Ltd.**	Registered and paid up capital of RMB130,375,098	45%	Production and sales of cement and cement related products	
Property business				
Lead Wealthy Investments Limited	100 ordinary shares (HK$100)	70%	Investment holding	1
Shanghai 21st Century Real Estate Co., Ltd.**+	Registered and paid up capital of US$76,000,000	70%	Property development	1
Eagle Fit Limited*	200 shares of US$1 each	65%	Investment holding	1
Prime Asset Investment Limited	1 ordinary share (HK$1)	65%	Investment holding	1
北京啓夏房地產開發有限公司**+ (Beijing Qi Xia Real Estate Development Co., Ltd.)	Registered and paid up capital of US$91,000,000	65%	Property development	1
Cosy Rich Limited*	2 shares of US$1 each	50.04%	Investment holding	1
Chengdu Xianglong Real Estate Co., Ltd.**+	Registered capital of RMB550,000,000 and paid up capital of RMB450,000,000	81%	Property development	1 & 2

44. PARTICULARS OF PRINCIPAL JOINT VENTURES (CONTINUED)

Indirect joint ventures	Issued and paid up share capital/ registered and paid up capital	Effective interest held by the Group	Principal activities	Notes
Property business (continued)				
Silver Reach Limited*	1,000 shares of US$1 each	64.7%	Investment holding	3
Win Lead Holdings Limited*	100 shares of US$1 each	50.04%	Investment holding	1
江蘇九西建設發展有限公司**+	Registered capital of RMB382,000,000 and paid up capital of RMB245,000,000	50.04%	Property development	4
Other businesses				
The Yangtze Ventures Limited#	1,000 ordinary shares of HK$0.1 each	65.5%	Venture capital investments	1
The Yangtze Ventures II Limited#	1,000 ordinary shares of HK$0.1 each	75.4%	Venture capital investments	1
On Capital China Fund Series A#	13,923 participating shares of US$0.01 each	66.81%	Venture capital investments	1
On Capital China Fund Series B#	8,418 participating shares of US$0.01 each	61.54%	Venture capital investments	1

* Incorporated in the British Virgin Islands
** Established and operated in other regions of the PRC
\# Incorporated in the Cayman Islands
\+ Wholly-foreign owned enterprise
@ Equity joint venture

Notes:

1. The Group and the other joint venturers are contractually agreed sharing of control and have rights to the net assets of these entities. The decisions about the relevant activities of these entities require unanimous consent of the Group and the other joint venturers. Accordingly, the Directors consider they are joint ventures.
2. The equity interest held by the Group in Chengdu Xianglong Real Estate Co., Ltd. was increased from 51% to 81% during the year ended 31 December 2014.
3. These companies were disposed of during the year ended 31 December 2014.
4. The Group acquired the entire equity interest of this company during the year ended 31 December 2014.

45. PARTICULARS OF PRINCIPAL ASSOCIATES

The Directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the following list contains only the particulars of principal associates of the Group at 31 December 2014 and 31 December 2013.

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

* Incorporated in the British Virgin Islands

** Established and operated in other regions of the PRC

@ Equity joint venture

The end of the consolidated financial statements.

The statement below from the Company does not form part of the consolidated financial statements:

Readers of these consolidated financial statements are strongly encouraged to read the Management Discussion and Analysis section set out in this annual report, which does not form part of the consolidated financial statements, to gain a fuller appreciation of the Group's financial results and situation in the context of its activities.

GROUP FINANCIAL
SUMMARY

1. RESULTS

	Year ended 31 December				
	2010 HK$ million	2011 HK$ million	2012 HK$ million	2013 HK$ million	**2014** **HK$ million**
Turnover	8,044	5,900	6,443	7,952	**6,102**
Profit (loss) before taxation	1,098	1,080	627	(330)	**(1,345)**
Taxation	(180)	(145)	(142)	(542)	**(14)**
Profit (loss) for the year	918	935	485	(872)	**(1,359)**
Attributable to:					
Owners of the Company	903	910	459	(889)	**(1,374)**
Non-controlling interests	15	25	26	17	**15**
	918	935	485	(872)	**(1,359)**

2. ASSETS AND LIABILITIES

	At 31 December				
	2010 HK$ million	2011 HK$ million	2012 HK$ million	2013 HK$ million	**2014** **HK$ million**
Total assets	21,048	22,231	23,320	23,120	**18,520**
Total liabilities	(11,788)	(12,163)	(13,032)	(13,729)	**(10,650)**
	9,260	10,068	10,288	9,391	**7,870**
Equity attributable to:					
Owners of the Company	9,204	10,002	10,218	9,324	**7,833**
Non-controlling interests	56	66	70	67	**37**
	9,260	10,068	10,288	9,391	**7,870**

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