上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Stock Code : 363)

2015 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

BOARD COMMITTEES

Executive Committee

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Mr. Yee Foo Hei

QUALIFIED ACCOUNTANT

Mr. Lee Kim Fung, Edward

AUTHORISED REPRESENTATIVES

Mr. Zhou Jie
Mr. Yee Foo Hei

REGISTERED OFFICE

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

COMPANY STOCK CODE

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

COMPANY WEBSITE

www.sihl.com.hk

AUDITOR

Deloitte Touche Tohmatsu

ADR DEPOSITORY BANK

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BNY Mellon Shareowner Services
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INFORMATION FOR SHAREHOLDERS

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Investor Relations

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Tricor Secretaries Limited

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

Our Website

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

DIVIDEND

Proposed 2015 final dividend of HK45 cents (2014: HK45 cents) per share will be paid to shareholders on or about Thursday, 16 June 2016 subject to shareholders' approval.

Subject to approval by shareholders of the final dividend and together with the 2015 interim dividend of HK36 cents (2014: HK45 cents) per share paid during the year, total dividends for the year amount to HK81 cents (2014: HK90 cents) per share.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 25 May 2016 to Thursday, 26 May 2016, both days inclusive, during which period no transfer of shares will be effected. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar by 4:30 p.m. on Tuesday, 24 May 2016.

For the purpose of determining shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Monday, 6 June 2016, no transfer of shares will be effected on that day. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar by 4:30 p.m. on Friday, 3 June 2016.

FINANCIAL CALENDAR

2015 interim results announced	31 August 2015
2015 final results announced	31 March 2016
Despatch of 2015 annual report	on or about 15 April 2016
2016 annual general meeting	26 May 2016
Ex-dividend date for 2015 final dividend	2 June 2016
Record date for 2015 final dividend	6 June 2016
Despatch of notice of 2015 final dividend	on or about 16 June 2016

CHAIRMAN'S STATEMENT

Wang Wei
Chairman

STEADY GROWTH OF PRINCIPAL BUSINESSES AND SATISFACTORY ACHIEVEMENTS OF STRATEGIC TARGETS

I am pleased to report to our shareholders the results of the Group for 2015.

During the year, the global capital market remained volatile. The cycle of interest rate hikes in the US began, resulting in an outflow of capital from emerging markets and a significant slowdown of the economies in Europe, Japan and Asia-Pacific countries. Commodity prices including gold and oil plunged while a number of major currencies depreciated substantially against the US dollar. In the mainland, the economy has entered a new normal. The slowdown of the economic growth in the PRC, the adjustments of the Renminbi exchange rates and wider fluctuations of the stock markets in the PRC and Hong Kong have all brought about considerable challenges to the operation of enterprises. Despite this, the Group has continued to capitalize on financing activities for its business operations and seize market opportunities for expansion, in accordance with strategic targets established for the year and under the leadership of the Board and the management. The asset structure of the Group has also been enhanced through a number of financing and mergers and acquisitions activities. Through innovative ideas and actions, the Group has successfully entered new business arenas and created future drivers for profit growth. In addition, members of the Group have created further synergies and promoted integration among themselves, thereby improving their management strategies and enhancing internal control. As a result, the Group has been able to maintain steady and sustainable growth for its principal businesses and achieved satisfactory results.

For the year ended 31 December 2015, the Group recorded a total revenue of HK$19,694 million, representing a decrease of 7.7% compared with last year, and a realised net profit of HK$2,770 million, representing a decrease of 10.5% over last year. The decrease in profit was mainly due to higher non-recurring profit that resulted from the disposal of plot E in Qingpu District, Shanghai in 2014, versus profit contributions from the disposal of Yanjiao and Qi'ao Island projects during the year.

CHAIRMAN'S STATEMENT

The Board has recommended a final dividend of HK45 cents (2014: HK45 cents) per share for 2015. Together with the interim dividend of HK36 cents (2014: HK45 cents) per share paid during the year, total dividends for the year amounted to HK81 cents (2014: HK90 cents) per share.

In 2015, the Group has maintained steady development for its three core businesses. Toll roads business achieved efficient toll road management, and brought about increased traffic flow and steady revenue growth with a strong cash income. Through effective capital financing, the water services business continued to expand the size of its core business, strengthen its nationwide business network, optimise its assets and enhance profitability. The infrastructure facilities business recorded a profit of HK$1,080 million, representing a year-on-year decrease of 5.3%, mainly due to an one-off non-recurring profit recorded in the last financial year.

For the real estate business, net profits amounted to HK$888 million, representing a year-on-year decrease of 28.1%, mainly due to higher non-recurring profits recorded the year before. During the year, the Group strengthened its capital and enhanced its business through financing exercises in the capital market. Considerable efforts were made to revitalize the Group's assets in order to release the value of its land bank and to optimise its business structure and regional presence. In addition, the development of projects was accelerated, marketing efforts were strengthened and related emerging businesses were actively cultivated through leveraging on the strengths of its core business. All these efforts have become a new driving force for the Group's profitability growth in the long term.

The consumer products business continued to contribute significant earnings and cash flow with net profits reaching HK$1,048 million for the year, representing a year-on-year decrease of 2.8%. Nanyang Tobacco put greater efforts into the development of new products and technical upgrading. Despite a difficult external environment and complexities in the market, the company was able to meet its operational targets for the year and realise growth in net profit. Wing Fat Printing continued to increase cost control, streamline its business structure and tighten internal controls. In line with its development strategy and targets, the company has effectively pushed forward its molded fiber business and has been endeavouring to explore new sources for profit growth in the future.

CHAIRMAN'S STATEMENT

In 2015, the Group continued to capitalize on favourable market opportunities. By way of the private placements of 335,523,659 shares to seven placees, SI Development successfully raised RMB3,902 million to finance its acquisition of a 100% equity interest in Shanghai Investment and a 61.48% equity interest in Longchuang Eco-energy. Such arrangements have enhanced the capital of SI Development and strengthened its core business, creating additional quality land bank for the company. Furthermore, the Company, SI Development and SI Urban Development obtained a number of syndicate loans and issued corporate bonds at favourable terms in the PRC and overseas respectively, building up a strong funding base for the business development of the Group and further optimising its capital structure.

STEADY GROWTH OF INFRASTRUCTURE BUSINESS AND CONTINUOUS EXPANSION OF WATER SERVICES BUSINESS

The Group owns three high-quality toll roads, all of which are the main roads in the northwest, southwest and west of Shanghai, which together contributed a toll revenue representing 32% of the total revenue from all roads in Shanghai. Amid the slowdown of the real economy in the PRC and traffic divergence to a number of expressways during the year, the Group achieved steady overall growth in traffic flow and toll revenue and managed to maintain a strong cash position through different effective management measures. The Group will endeavour to explore further opportunities to expand the scale of its investments in toll roads business in order to enhance the profitability of its core business.

The Group will also continue to increase its investments in water service assets. During the year, SI Environment acquired a 92.15% equity interests in Fudan Water for a total consideration of RMB1,548 million. The acquisition, which was made by cash and issue of new shares by the company, has significantly strengthened SI Environment's competitive position in the industry as well as its nationwide network, increasing its water processing capacity by 20%. Taking into account contributions from SI Environment and General Water of China, the Group has been able to strengthen its overall production and operational capability, reaching a total daily processing capacity of over 13,000,000 tonnes as at the end of 2015.

CHAIRMAN'S STATEMENT

As for new business arenas, Galaxy Energy, a 85%-owned subsidiary of Shanghai Galaxy, successfully acquired three photovoltaic power companies in Ningxia, Shanxi and Inner Mongolia with a total power generation capacity of 190MW, which, together with its existing 320MW capacity, brought the company's total photovoltaic power generation capacity to 510MW. With the gradual recovery of the photovoltaic industry in recent years and the promulgation by the Chinese government of a series of policies to regulate and support developments for the industry, Galaxy Energy is committed to further expand the size of its photovoltaic business and increase the return from its projects.

OPTIMISED ASSET STRUCTURE AND ENHANCED OVERALL POTENTIAL VALUE OF ITS REAL ESTATE BUSINESS

Capitalizing on market opportunities during the year, SI Development issued approximately 335 million new shares to Shanghai Asset, five institutional investors and Cao Wenlong, the founder shareholder of Longchuang Eco-energy, respectively at a price of RMB11.63 per share, resulting in net proceeds of RMB3,902 million. Such funds have been utilised to finance the acquisition of a 100% equity interest in Shanghai Investment and a 61.48% equity interest in Longchuang Eco-energy. Shanghai Investment is engaged in property development in Shanghai, Suzhou and Shaoxing with a quality land bank. Longchuang Eco-energy is engaged in construction equipment consulting, design and engineering services and provision of integrated energy-saving solutions. Such acquisitions have helped to create synergies within SI Development's existing business and add value to the company.

By adopting the philosophy of combining "Internet +" to traditional businesses, SI Development has actively advocated the upgrading and transformation of its traditional business into related investments including, high technology, internet, energy saving and environmental protection as well as development of new materials in order to explore new drivers for the growth of its profitability.

During the year, SI Urban Development continued to revitalize its assets. In February 2015, an investment in Yanjiao, Hebei, was disposed of for a consideration of RMB940 million, achieving a disposal gain of RMB356 million. In December, another transaction was completed with an independent third party for the disposal of its Qi'ao Island project in Zhuhai for a consideration of RMB3,100 million, resulting in a pre-tax profit of RMB1,028 million. In January 2016, the company disposed of its 35% equity interest in Longcheng Properties for a consideration of RMB1,668 million through its subsidiary, Shanghai Urban Development, by way of redemption of its shares in the Green Carbon Fund. Longcheng Properties is engaged in the development of the "U Center" project in Minhang District, Shanghai. A pre-tax profit of RMB933 million is expected to be generated from the disposal of its investments for Shanghai Urban Development.

STRENGTHENED BUSINESS FOUNDATION WITH CONTINUOUS INNOVATIONS AND OPTIMISED BUSINESS STRUCTURE FOR CONSUMER PRODUCTS BUSINESS

The year 2015 marked the 110th anniversary of the establishment of Nanyang Tobacco and was also a year in which Nanyang Tobacco consolidated its resources to enhance its strength. In the face of challenges brought about by the transformation of the PRC macro-economy, decrease in sales in the tobacco industry and escalating raw material prices, Nanyang Tobacco overcame such difficulties by adhering to its operational policies of "controlling size, adjusting structure, maintaining performance and developing brands". Considerable efforts were made to expand new markets and develop new products, and continue to promote technical upgrading to improve performance. As a result, satisfactory results were recorded and its operational targets for the year were met, with satisfactory growth in net profits.

Facing domestic policies for the tobacco and wine package industry, Wing Fat Printing was able to maintain its gross profit margin through lowering cost and adjusting its business structure. In line with its strategic goals, measures were taken to drive the development of the molded fiber business. In June, the company made its investment in the yellow molded fiber packaging box business through the acquisition of a 70% equity interest in Qingdao Huiyu for a consideration of RMB56 million. In November, Wing Fat Printing commenced the construction and expansion of its production facilities for high-end products in Hua County, Henan and Jiangyan, Jiangsu respectively to develop and produce high-end molded fiber products in order to seek and meet orders from big high-end customers. The company's molded fiber business ran smooth and new sources for profit growth were explored. In the coming year, the Group will strive to develop new business of molded fiber packaging, actively improve product quality and enhance team building in order to break through business development constraints and to create new sources for future earnings growth.

PROSPECTS

Looking forward to 2016, the PRC economy is entering a new normal and the real economy will continue to show a downward trend. The Renminbi is expected to face a strong pressure for depreciation as the US dollar continues to appreciate. All these factors will create considerable risks for the capital market. In addition, the Group is still facing different challenges for its future growth. Nevertheless, as the central Chinese government has actively pushed forward reforms on the supply side of the economy, the Group should seize such opportunities by coordinating resource allocation in a comprehensive and effective manner, continue to reinforce the joint efforts of financing and business operation, adhere to reforms and renovations and further optimise its assets and business structure.

As for the infrastructure business, SI Environment will strive to maintain stable growth in its results performance and facilitate the steady expansion of its assets and size in areas including water services, solid waste treatment and photovoltaic power generation through effective financing channels, while exploring new business areas and optimising its business structure. For toll roads, the Group will acquire suitable projects as and when opportunities arise.

For the real estate business, the Group will continue to revitalize its assets and optimise its business structure and regional presence. The pace of development of its projects will be carefully monitored while the quality of the projects under construction will be maintained at high standards. In addition, the sale of completed projects will be accelerated. The Group will also continue to improve the operational efficiency for property investment assets, optimize assets and financial structure while leveraging on the strengths of its core businesses and making use of "Internet +" to expand the size of its new business. New operational methods will be introduced and efforts will be made for the development of property finance, property assets and financial investment, to seek further extension of the business chain and to enhance potential for future profit growth.

In the area of consumer products business, Nanyang Tobacco will continue to promote equipment upgrading to maintain its leading position on technical renovation. Relevant research and development goals will be established, product structure will be optimised, its brand value will be promoted and its markets will be expanded. Efforts will be made to strengthen its internal management, maintaining cost control, preventing exchange rate risks and further enhancing profitability. Wing Fat Printing will enhance its marketing capability for traditional-packaging business, extensively enhance and consolidate the quality of its molded fiber products and team building. It will also endeavour to develop new business of molded fiber packaging so as to break through the constraints of its business development, creating new sources of profit and improving its returns on investment.

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

Wang Wei
Chairman

Hong Kong, 31 March 2016

SIHL AT A GLANCE

Shanghai Industrial Holdings Limited ("SIHL", 363.HK) was incorporated in Hong Kong in January 1996, and on 30 May of the same year was listed on the Stock Exchange of Hong Kong. SIHL is a constituent stock of the MSCI China Index and Hang Seng Composite Index, and also an eligible stock of Shanghai-Hong Kong Stock Connect.

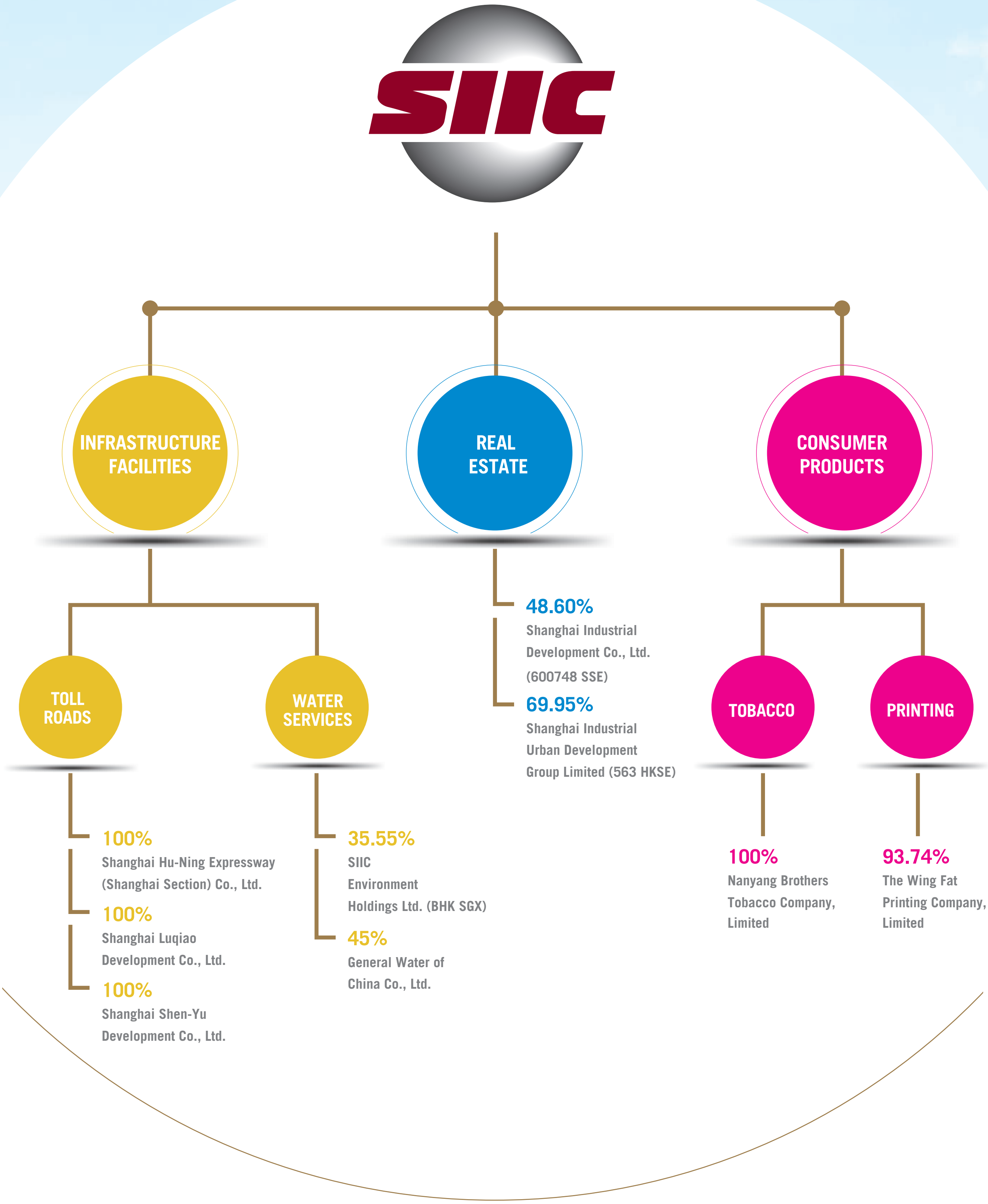
Shanghai Industrial Investments (Holdings) Company Limited ("SIIC"), the controlling shareholder with about a 58% shareholding of SIHL, is the largest overseas conglomerate enterprise under the Shanghai municipal government. As the flagship in the SIIC group of companies, SIHL has been successful in leveraging its Shanghai advantage since its listing, in terms of securing the best investment opportunities in Shanghai, with the full support of its parent company.

Over the past 20 years, SIHL has established an investment portfolio by means of mergers and acquisitions, involving a number of quality assets in the core business divisions. Today, SIHL has secured its unique position as a leading red chip company in Hong Kong with three core businesses — infrastructure facilities, real estate and consumer products — all striving to create favourable returns and value for shareholders.

As at the end of 2015, the Company's total assets reached HK$142.9 billion and profits attributable to shareholders was HK$2,770 million.

GROUP BUSINESS STRUCTURE

As at 31 March 2016

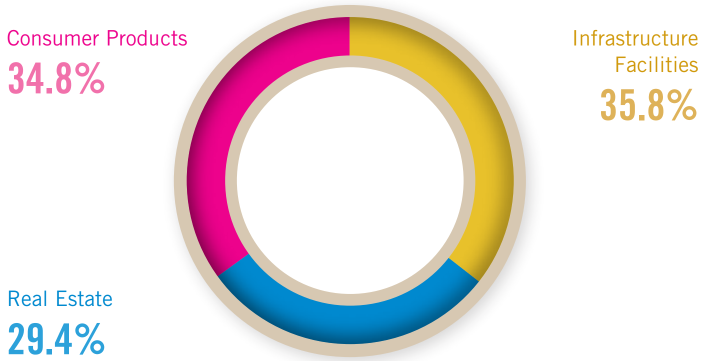


BUSINESS REVIEW, DISCUSSION AND ANALYSIS

For the year ended 31 December 2015, the Group recorded a revenue of HK$19,694 million, representing a 7.7% decrease over last year. Profits attributable to shareholders were HK$2,770 million, representing a year-on-year decline of 10.5%, as the Group recorded higher non-recurring profit from the disposal of Lot E of Qingpu District, Shanghai in 2014, versus the disposal of Yanjiao and Qi'ao Island projects during the year.

Capitalizing on market opportunities, the Group concluded a number of large financing and acquisition activities in the capital markets during the year. As a result, the size of its principal businesses was expanded and the overall value of its assets was enhanced. In addition, the Group also successfully entered new business areas, injecting new momentum for its future development and further thriving its business transformation and strategic development.

Profit contribution from the Group's core business



INFRASTRUCTURE FACILITIES

During the year, the infrastructure facilities business contributed a profit of HK$1,080 million to the Group, representing a decrease of 5.3% over last year and accounting for 35.8% of the Group's Net Business Profit. The decrease in profit was mainly due to a gain from dilution of shareholdings in General Water of China and gain of fair value change in Longjiang Environmental recorded last year. Excluding such gains, profit increased 2.2% from last year. During the year, the Group continued to increase its investments in water services and made considerable efforts to develop sewage treatment and solid waste projects. Our toll roads business brought stable profits and cash flows, providing strong support for the Group's overall business development.

Toll roads

The Group wholly owns three toll roads in Shanghai, including Jing-Hu Expressway (Shanghai Section), Hu-Kun Expressway (Shanghai Section) and Hu-Yu Expressway (Shanghai Section), all of which are main passageways in the northwest, southwest and west directions of Shanghai with a total length of approximately 120 kilometers, and contributing 32% of the total revenue from all toll roads in Shanghai. During the year, the traffic flow and toll revenue of the three toll roads maintained overall growth with smooth road operation. All three main roads passed the national main highway examination (the National Examination) conducted once every five years, and met the respective requirements on all fronts, demonstrating the Group's effective management of the expressways.

The key operating data of our three toll roads are as follows:

Toll roads	Net profit from project company	Changes	Toll revenue	Changes	Traffic flow (vehicle journeys)	Changes
Jing-Hu Expressway (Shanghai Section)	HK$293 million	–6.9%	HK$658 million	+3.1%	46.68 million	+10.9%
Hu-Kun Expressway (Shanghai Section)	HK$369 million	–1.5%	HK$1,030 million	+5.6%	51.08 million	+8.4%
Hu-Yu Expressway (Shanghai Section)	HK$174 million	+2.7%	HK$533 million	+0.5%	39.68 million	+5.8%
Total	**HK$836 million**	**–2.6%**	**HK$2,221 million**	**+3.6%**	**137 million**	**+8.5%**

During the year, Jing-Hu Expressway (Shanghai Section) was affected by continuous traffic divergence caused by the successive opening up of the Hu-Chang Expressway and Hu-Xiang Expressway as well as divergence caused by the connection of Shanghai Jia-Min Elevated Highway to our expressway. Nevertheless, the toll revenue of Jing-Hu Expressway (Shanghai Section) for the year continued to increase, benefiting from increases in traffic flow and adjustments to the mileage charge for the toll expressways in Shanghai in mid-July 2015. The decrease in net profit for the year was attributable to traffic divergence and, to a lesser extent, the impact from a smaller proportion of trucks and a bigger proportion of short-distance vehicles using the expressway. Meanwhile, the project company will keep a close eye on traffic flow and will make plans in a timely manner to prevent traffic jams and to ensure smooth road operation especially at road junctions, as a number of expressways in surrounding areas are being put into service respectively. During the year, the traffic signage project at Anting toll station was completed, and has effectively enhanced the traffic flow of various road sections and provided real-time guidance at peak hours.

As a result of such favourable factors as continuous good weather throughout the year and significant increase in traffic volume for small passenger cars during holidays, Hu-Kun Expressway (Shanghai Section) maintained stable growth in toll revenue in 2015. During the year, the project company applied suitable measures to prevent traffic jams and ensure smooth operation and initiated emergency management measures which were previously adopted only in peak periods to all sections at all times, maximizing the usage of the rapid transit function for electronic toll collection (ETC) lanes and effectively preventing the need to allow free passage of vehicles due to traffic jams. With such measures, daily traffic flow of the highway reached a new high of 140,000 for the year. In addition, the construction of the Dazheng port bridge jacking up project was successfully completed during the year, and was put into full service in September 2015. With close supervisions, the two-year construction work was safe and smooth while normal operation was maintained on the road.

The toll revenue and traffic flow of Hu-Yu Expressway (Shanghai Section) continued to increase for 2015. Renovation work of the Dianshan Lake Service Zone was completed during the National Day, improving service facilities for the public and bringing a brand new appearance to the neighbourhood. The construction of the new Jiudu Road toll station and the renovation of the ramp of Huting North Road was formally launched in the fourth quarter of the year and the road is expected to commence full operation in 2016. In the coming year, measures will be taken to prevent traffic jams and ensure smooth road operation and passage to cope with gradual traffic jams seen at Qingpu urban toll station and to ensure orderly and smooth road operation. The project company will further strive to lower cost and improve performance by installing automatic card machines at selected toll stations and re-assigning job duties for toll collectors. It will also promote wider applications of intelligent mechanical and electronic management systems to improve the maintenance quality and efficiency of the systems so as to lower daily maintenance cost.

Water services

The Group will make greater efforts to ascertain investments in water related projects and will actively seek opportunities for investments in the clean energy arena. During the year, the Group successfully entered new sectors of sludge treatment and soil restoration, which are beneficial for driving future profit growth. The Group's water business has maintained rapid growth, and newly acquired projects have all been making profit contributions to our enterprises.

SI Environment

SI Environment recorded a revenue of RMB1,804 million for 2015, representing a year-on-year growth of 19.9%. The increase in revenue was mainly attributable to the newly acquired Fudan Water and contributions from constructed revenue. Profit for the year increased by 24% year-on-year to RMB360 million, mainly due to higher water treatment volume by existing entities and increases in service income, as well as profit contributions from the newly acquired Fudan Water and Longjiang Environmental. Going forward, the Group will continue to invest in sewage treatment and solid waste projects and other environmental protection-related projects and will implement measures to upgrade the size and profitability of its projects. Suitable acquisition opportunities will be sought as and when appropriate in order to expand the scope of its business.

In March 2015, SI Environment acquired a 92.15% equity interest in Fudan Water for a total consideration of approximately RMB1,548 million (including repayment of debt), which was settled by cash payment and issue of shares. Fudan Water is mainly engaged in research and development and technology transfer for water treatment and water ecological restoration. The company owns a total of 10 projects located in Jiangsu, Zhejiang and Guangdong provinces with a total daily water treatment capacity of 600,000 tonnes. Completed in May 2015, the transaction will enable SI Environment to strengthen its nationwide network and optimise its assets and operational capability.

In April 2015, SI Environment and International Finance Corporation, a member of the World Bank Group, entered into a share subscription agreement to participate in the first round of private placement of MTI, each with an investment of US$4 million. MTI is a leading enterprise in the domestic sludge treatment industry in China, and possesses a number of patented sludge treatment and deodorization technologies. MTI currently has a daily sludge treatment capacity of 1,600,000 tonnes.

In April 2015, SI Environment acquired a 14.7849% equity interest in Nanfang Water, in which its shareholding was raised from 76.419% to 91.203%. In December, SI Environment placed 26,730,407 new earn-out shares to Nanfang Water as share consideration in relation to its acquisition of equity interest in Nanfang Water in 2012. Accordingly, the shareholding of the Group in SI Environment was diluted from 35.98% to 35.55%.

Furthermore, the transaction under the asset transfer agreement and transfer-operation-transfer (TOT) franchise agreement for the sewage treatment plant no. 5 project in Yinchuan with a planned daily processing capacity of 50,000 tonnes, which was entered into by SI Environment last year, was completed in February 2015. The project has formally commenced operation. In May 2015, the Hanxi phase 2 renovation and expansion project in Wuhan with an estimated total investment amount of RMB700 million commenced construction. Upon completion, the project will have a daily processing capacity of 600,000 tonnes and the quality of water generated will be elevated to class 1D.

During the year, subsidiaries of SI Environment have won bids for the following projects:–

Projects	Daily production capacity (tonnes)	Total investment amount	Franchise period
Phase III of water purification centre BOT project in Meihu, Huizhou	100,000	RMB216,000,000 (another RMB150,000,000 will be invested for construction of ancillary sewage pipe network)	27 years (included a 2-year construction period)
Sewage treatment plant BOT project in Wuhu, Huangbei, Wuhan	25,000 (phase I)	RMB63,760,000 (phase I)	30 years (for all phases)
Phase II of sewage treatment plant BOT project in Quanshui River, Dalian	105,000	RMB240,000,000	22 years (included a 2-year construction period)
Water supply asset transfer and operation project in Yiyang	320,000	RMB288,000,000	28 years

General Water of China

General Water of China recorded a revenue of HK$1,789 million for the year with almost the same level as that of the last financial year. Net profits amounted to HK$106 million, a year-on-year increase of 35.7%. As at the end of 2015, the company owned 25 water supply facilities and 19 sewage treatment plants with a total daily capacity of 6,059,000 tonnes, among which, water production daily capacity totalled 3,935,000 tonnes and sewage treatment daily capacity was 2,124,000 tonnes, and two reservoirs with a gross storage tank volume of 182.32 million tonnes and a pipe network of 5,200 kilometres in total. General Water of China has been awarded the “Top 10 Most Influential Enterprises in China’s Water Industry” for the 13th consecutive year, ranking no. 6.

During the year, General Water of China made major breakthroughs expanding new markets, further enhancing synergies for its regional development. In particular, the company has pushed forward several key projects, including (i) Xiangtan no. 3 water plant alteration and expansion project with a daily capacity of 300,000 tonnes and total investment amount of approximately RMB339 million; and (ii) Class 1A upgrading and alteration project for a sewage treatment plant in eastern Wenzhou with a daily capacity of 100,000 tonnes and total investment amount of approximately RMB252 million, and won the bids for: (i) Bengbu Macheng water supply project, which has a medium- and long-term daily capacity of 100,000 tonnes and total investment amount of approximately RMB68 million and to be constructed in two phases; and (ii) water drainage project for Wuxing Children Clothing Industrial Park, in Shaxi city of Huzhou, comprising three parts including a sewage treatment plant, a production water supply plant (with a daily capacity of 12,000 tonnes) and a small village and township domestic water treatment station (with a daily capacity of 500 tonnes). The company has hence successfully entered the industrial wastewater treatment business area.

Key construction projects for General Water of China progressed in an orderly manner. Construction of the water purification plant no. 3 in Suifenhe City was completed during the year; for the Wuhua mountain reservoir project, the construction of a retaining wall, certain roads within the site and the road on the dam top was carried out, and water impoundment and instalment of hydraulic turbine sets were completed. The main construction work for the phase 1 upgrading project of the sewage treatment project in the river east of Xiangtan was completed, and the quality of sewage treated reached national class 1 standard. The company’s sludge drying and waste incineration project successfully passed examinations for environmental protection, and is the first semi-dried sludge treatment production line in the PRC. The project has been recognised as a high-tech enterprise and enjoys preferential tax treatment.

Details of the water development projects of the Group as at 31 December 2015 are as follows:

	Province	Projects of SI Environment	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress
Sewage treatment / Reclaimed water treatment projects						
1	Fujian	Sewage treatment plant BOT project in Longmen Town, Anxi,Quanzhou	Sewage treatment	50,000	91.203%	• Phase I of the project is in operation. • Phase II of the project is yet to commence construction.
2	Guangdong	Sewage treatment plant BOT project in Dalang, Donguan	Sewage treatment	100,000	75.5%	The project is in operation.
3	Guangdong	Phase I, phase II and phase III of water treatment project in Meihu, Huizhou	Sewage treatment	300,000	91.203%	• Phase I and Phase II of the project are in operation. • Phase III of the project is yet to commence construction.
4	Guangdong	Sewage treatment projects in Longgang District, Shenzhen	Sewage treatment	280,000	91.203%	The project is in operation.
5	Guangdong	Water recycling plant project in Henggang, Shenzhen	Reclaimed water treatment	50,000	91.203%	The project is in operation.
6	Guangdong	Sewage treatment plant project in Banxuegang, Shenzhen	Sewage treatment	40,000	91.203%	The project is in operation.
7	Guangdong	Sewage treatment plant project in Guanlan, Shenzhen	Sewage treatment	260,000	54.722%	The project is in operation.
8	Guangdong	Sewage treatment emergency operation entrustment project in Guanlan River, Shenzhen	Sewage treatment	400,000	54.722%	The project is in operation.
9	Guangdong	Sewage treatment plant TOT project in Wuchuan, Zhanjiang	Sewage treatment	40,000	91.203%	The project is in operation.
10	Guangdong	Sewage treatment plant BOT project in Shayao, Shijie	Sewage treatment	60,000	75.5%	The project is in operation.
11	Guangdong	Sewage treatment plant in Yantian, Fenggang, Dongguan	Sewage treatment	50,000	75.5%	The project is in operation.
12	Guangdong	Phase I and phase II of sewage treatment BOT project in Sanzhou, Dongguan	Sewage treatment	150,000	35.478%	The project is in operation.
13	Guangdong	Sewage treatment BOT project in Xinmin, Dongguan	Sewage treatment	100,000	30.410%	The project is yet to commence construction.
14	Guangxi	City sewage treatment plant BOT project in Beiliu	Sewage treatment	40,000	75.5%	The project is in operation.
15	Henan	Sewage treatment plant BOT project in Dongcheng District, Luohe	Sewage treatment	20,000	75.5%	The project is in operation.
16	Hubei	Sewage treatment project in Cihu, Huangshi	Sewage treatment	125,000	100%	The project is in operation.
17	Hubei	Sewage treatment project in Hanxi, Wuhan	Sewage treatment	600,000	80%	• Phase I of the project is in operation. • The phase I upgrading project and the extension of phase II of the project is under construction.
18	Hubei	Sewage treatment project in Qianchuan, Wuhan	Sewage treatment	30,000	100%	The project is in operation.

	Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress
19	Hubei	Sewage treatment project in Panlong, Wuhan	Sewage treatment	45,000	100%	• Phase I of the project is in operation. • The extension of the phase II of the project is under construction.
20	Hubei	Sewage treatment project in the Wuhan New Town	Sewage treatment	60,000	100%	The project is in operation.
21	Hubei	Sewage treatment BOT project in the Wuhu, Wuhan	Sewage treatment	25,000	100%	The project is yet to commence construction.
22	Hubei	Sewage treatment project in Chengnan, Suizhou	Sewage treatment	50,000	92.15%	The project is yet to commence construction.
23	Hunan	Sewage treatment BOT project in Linwu, Chenzhou	Sewage treatment	10,000	18.241%	The project is in operation.
24	Hunan	Sewage treatment project in Chenzhou	Sewage treatment	120,000	91.203%	The project is in operation.
25	Hunan	Sewage treatment plant BOT project in Taohuajiang, Taojiang	Sewage treatment	20,000	75.5%	The project is in operation.
26	Hunan	Sewage treatment plant BOT project in the new zone of eastern Gaoxin District, Yiyang	Sewage treatment	30,000	75.5%	The project is in operation.
27	Hunan	Sewage treatment plant BOT project in northern Yiyang	Sewage treatment	40,000	75.5%	The project is in operation.
28	Jiangsu	Sewage treatment franchise and sewage treatment plant BOT project at Newport Park, Jingjiang	Sewage treatment	80,000	91.203%	• Phase I of the project is in operation. • Phase II of the project is under construction.
29	Jiangsu	Sewage treatment plant project in southern Shuyang	Sewage treatment	60,000	91.203%	• Phase I of the project is in operation. • Phase II of the project is yet to commence construction.
30	Jiangsu	Sewage treatment plant franchise project in Huangqiao, Taixing	Sewage treatment	50,000	91.203%	• Phase I of the project is in operation. • Phase II of the project is yet to commence construction.
31	Jiangsu	Sewage treatment plant phase I and phase II projects in Guanyinshan, Nantong	Sewage treatment	73,000	92.15%	The project is in operation.
32	Liaoning	Sewage treatment plant in Puwan New Zone, Dalian	Sewage treatment	50,000	92.65%	30,000 tonnes of the project are in operation. The remaining 20,000 tonnes are yet to commence construction.
33	Liaoning	Sewage treatment plant BOT project in Dalian Bay	Sewage treatment	40,000	75.5%	The project is under construction.
34	Liaoning	Sewage treatment plant BOT project in Quanshui River, Dalian	Sewage treatment	105,000	75.5%	The project is yet to commence construction.
35	Ningxia Hui Autonomous Region	Sewage treatment plant no. 5 project in Yinchuan	Sewage treatment	100,000	100%	• The TOT project of daily capacity of 50,000 tonnes is in operation. • The BOT project of daily capacity of 50,000 tonnes is yet to commence construction.
36	Ningxia Hui Autonomous Region	Sewage treatment plant BOT project in Binhe New Zone, Yinchuan	Sewage treatment	50,000	100%	The project is under construction.

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

	Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress
37	Ningxia Hui Autonomous Region	Sewage treatment plant with reclaimed water treatment ancillary facilities project in Binhe, Yinchuan	Reclaimed water treatment	50,000	100%	The project is yet to commence construction.
38	Shandong	Sewage treatment plant TOT project in Dezhou	Sewage treatment	100,000	75.5%	The project is in operation.
39	Shandong	Sewage treatment plant BOT project in western Weifang	Sewage treatment	40,000	75.5%	The project is in operation.
40	Shandong	Sewage treatment plant BOT project in Weifang City High Technology Industrial Development Zone	Sewage treatment	50,000	75.5%	The project is in operation.
41	Shandong	Sewage treatment plant reclaimed water treatment project in Weifang	Reclaimed water treatment	38,500	75.5%	The project is in operation.
42	Shandong	Sewage treatment plant project in Weifang	Sewage treatment	300,000	75.5%	• The existing plant with a planned daily capacity of 100,000 tonnes is in operation. • The new plant with a planned daily capacity of 200,000 tonnes is under construction. • Upon commencement of operation of the new plant, the existing plant will cease to operate.
43	Shandong	Sewage treatment plant franchise project in Shanting District, Zaozhuang	Sewage treatment	20,000	75.5%	The project is in operation.
44	Shandong	Sewage treatment plant TOT + BOT project in Yicheng District, Zaozhuang	Sewage treatment	40,000	75.5%	The project is in operation.
45	Shanghai	Sewage treatment plant no. 2 project in Qingpu	Sewage treatment	120,000	100%	The project is in operation.
46	Shanghai	Phase I and Phase II of sewage treatment BOT project in western Fengxian	Sewage treatment	150,000	73.72%	The project is in operation.
47	Zhejiang	Sewage treatment project in Taizhou	Sewage treatment	12,500	100%	The project is in operation.
48	Zhejiang	Sewage treatment plant BOT project in Xiaocaoe, Yuyao	Sewage treatment	150,000	69.113%	The project is in operation.
49	Zhejiang	Sewage pretreatment plant BOT project in Zhacai, Yuyao	Sewage treatment	3,000	69.113%	The project is in operation.
50	Zhejiang	Sewage treatment plant BOT project in Binhai, Huangjiabu, Ningbo	Sewage treatment	30,000	64.505%	The project is in operation.
51	Zhejiang	Water treatment plant project in New Zone, Hangzhou Bay, Cixi	Sewage treatment	90,000	64.505%	The project is in operation.
52	Zhejiang	Sewage treatment plant project in northern Cixi	Sewage treatment	100,000	59.898%	The project is in operation.
Total				**4,997,000**		

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

	Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress
Water supply projects						
1	Hubei	Water supply project in Tianmen	Water supply	200,000	100%	The project is in operation.
2	Hubei	Water supply project in Xinnong, Tianmen	Water supply	Not applicable	70%	The project is in operation.
3	Hubei	Water supply project in Huangpi, Wuhan	Water supply	280,000	100%	The project is in operation.
4	Hunan	Water supply project in Yiyang	Water supply	320,000	90%	The project is yet to commence construction.
5	Shandong	Water supply project in Hanting District, Weifang	Water supply	60,000	26.183%	The project is in operation.
6	Shandong	Water supply project in Weifang	Water supply	320,000	51.34%	The project is in operation.
7	Shanxi	Water supply project in Lvliang	Water supply	55,000	100%	The project is in operation.
Total				**1,235,000**		
Longjiang Environmental projects (daily capacity was accounted for under equity accounting)				798,200	25.3125%	
Total for water projects				**7,030,200**		
Waste incineration projects						
1	Shanghai	Waste incineration thermal power generation project in Pucheng	Waste incineration	1,050	50%	The project is in operation.
2	Siuchuen	Waste incineration thermal power generation project in Dazhou	Waste incineration	1,050	100%	• The project with a planned daily capacity of 700 tonnes are in operation. • Phase II of the project is yet to commence construction.
3	Zhejiang	Waste incineration thermal power generation project in Wenling	Waste incineration	1,100	50%	The project is in operation.
Total				**3,200**		

	Province	Projects of General Water of China	Project type	Daily production capacity (tonnes)	Interest attributable to General Water of China	Project progress
Sewage treatment projects						
1	Auhui	Sewage treatment plant project nos. 2, 3 and 4 in Bengbu	Sewage treatment	350,000	100%	The project is in operation.
2	Fujian	Sewage treatment project in Xiamen	Sewage treatment	1,054,000	55%	The project is in operation.
3	Guangdong	Sewage treatment plant project in Longhua, Shenzhen	Sewage treatment	150,000	90%	The project is in operation.
4	Heilongiang	City sewage treatment project in Suifenhe	Sewage treatment	20,000	100%	The project is in operation.
5	Hunan	Sewage treatment project in river east of Xiangtan	Sewage treatment	150,000	100%	The project is in operation.
6	Zhejiang	Sewage treatment project in the new zone of eastern Huzhou	Sewage treatment	50,000	100%	• The project is in operation. • Water tariff was adjusted upward from RMB1.38/tonne to RMB1.50/tonne.

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

	Province	Projects of General Water of China (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to General Water of China	Project progress
7	Zhejiang	Sewage treatment project in eastern Wenzhou	Sewage treatment	150,000	100%	• The project is in operation. • The grade A upgrading and extension works commenced in December 2015. It is expected to commence operation in 2016.
8	Zhejiang	Sewage treatment project in central Wenzhou	Sewage treatment	200,000	70%	The project is in operation.
Total				**2,124,000**		
Water supply / Water generating projects						
1	Auhui	Water supply project in Bengbu	Water supply	430,000	60%	The project is in operation.
2	Auhui	Water supply project in Guzhen	Water supply	130,000	60%	The project is in operation.
3	Fujian	Water generation project in Xiamen	Water supply	1,305,000	45%	The project is in operation.
4	Heilongjiang	Wuhua mountain reservoir project and water supply project in Suifenhe	Water supply	195,000	100%	The project is in operation.
5	Hubei	Water supply project in Xiangyang	Water supply	950,000	50%	The project is in operation.
6	Hunan	Water supply project in Xiangtan	Water supply	425,000	70%	The project is in operation.
7	Shannxi	Water generation project in Xianyang	Water generation	300,000	100%	The project is yet to commence operation.
8	Zhejiang	Project on reservoir and water induction works in Tiger Lake, Huzhou	Water supply	200,000	100%	The project is in operation.
Total				**3,935,000**		
Total for water projects				**6,059,000**		

New Business Arena

With the gradual recovery of the photovoltaic industry, the State has gradually promulgated a series of policies to regulate and support the development of the industry. The Group has actively explored into the environmental protection business arena and expanded its investment in photovoltaic stations over the last few years through Shanghai Galaxy (a company held by Hu-Ning Expressway, a wholly-owned subsidiary of the Company, and SIIC Shanghai, a company under the parent company of the Company, as to 50% and 50%, respectively). In January 2016, each of Hu-Ning Expressway and SIIC Shanghai made a further capital contribution of RMB150 million to Shanghai Galaxy which was in proportion to their shareholdings, to finance the future development of the company.

In addition to its existing 320MW capacity investment, Galaxy Energy, a 85%-owned subsidiary of Shanghai Galaxy, further acquired through bidding at Shanghai Assets and Equity Exchange three photovoltaic power companies in November 2015, which own photovoltaic power projects located in Ningxia Hui Autonomous Region, Shanxi Province and Inner Mongolia Autonomous Region, with a power generation capacity of 50MW, 50MW and 90MW, respectively. All these acquisitions were completed during the year. Galaxy Energy now owns nine photovoltaic projects in the PRC with a total power generation capacity reaching 510MW. All the projects have been connected to grids and are running smoothly. Going forward, the company will continue to expand its investments in photovoltaic sectors.

REAL ESTATE

During the year, the real estate business recorded a profit of HK$888 million, representing a year-on-year decrease of 28.1% and accounting for 29.4% of the Group's Net Business Profit. The decrease in profit was partly due to higher non-recurring profit recorded by the Group from the disposal of Lot E of Qingpu District, Shanghai last year, versus the disposal of Yanjiao and Qi'ao Island projects during the year.

For the real estate business, the Group capitalized on market opportunities and participated in the reform of state-owned enterprises. This has successfully enlarged the Group's share capital through financing raised in the capital markets and further optimised its capital structure and enhanced the overall value of its assets. Along with changes and trends in the market, the Group also entered the business of provision of intelligent construction energy saving application solutions, to integrate with its principle businesses in order to diversify and further consolidate its resources. During the year, efforts were made to strengthen its project development and existing assets were revitalized at appropriate times so that the potential value of its projects can be released and that it can focus its resources for the investment of its core businesses.

In September 2015, the Company entered into an equity transfer agreement to fully dispose of its remaining 10% interest in Four Seasons Hotel Shanghai for a consideration of HK$160 million, further reducing its interests in non-controlling investment projects. The transaction was completed in late October 2015 and the consideration was received in full. The transaction will bring a profit after taxation of approximately HK$154 million to the Company and is expected to further improve its cash flows, providing funding resources for mergers and acquisitions for its core businesses.

SI Development

In 2015, SI Development recorded a revenue of RMB6,619 million, representing an increase of 9.3% over last year; net profit for the period dropped by 43.5% to RMB520 million, due to gains recorded from the disposal of its 51% interest in Lot E of the Qingpu District, Shanghai in the last financial year. Excluding such non-recurring earnings, the profit would increase by 44.1%. Contract sales for the real estate projects during the year amounted to RMB3,956 million, arising from such projects as Hua Ting Jia Yuan and Hua Ting Li Yuan in Tianjin, United 88 in Shanghai, Lake Villa in Suzhou, Shanghai International Art Centre in Shanghai, International Beer City in Qingdao, Flos Granati in Shanghai, Hi-Shanghai in Chengdu, Shanghai Bay in Huzhou, Shanghai Bay in Shanghai and Essence of Shanghai at Shanghai Jiading, and accounting for a total gross floor area of 262,300 square meters. Rental income for the year was approximately HK$270 million.

In April 2015, SI Development announced a private placement of no more than 512,820,512 new ordinary shares of SI Development at a price of RMB11.70 per share to raise no more than RMB6,000 million. The initial placees included Shanghai Asset, an indirect wholly-owned subsidiary of SIIC, Cao Wenlong (founder of Longchuang Eco-Energy) and seven other institutional investors.

In November 2015, SI Development announced adjustments to the said private placement, pursuant to which the total investment amount of seven institutional investors was reduced, while other transactions basically remained unchanged. The ex-right and ex-dividend issue price was adjusted to RMB11.63 per share, and the total amount raised from the placement was reduced to around RMB4,800 million accordingly. The adjustments were made in line with market changes and the proposal was approved by the China Securities Regulatory Commission on 22 December 2015. By late January 2016, five of the said seven institutional investors subscribed for the shares of SI Development. Accordingly, SI Development issued a total of 335,523,659 new ordinary shares, raising a proceed of RMB3,902 million. The Company's shareholding in SI Development was diluted to 48.6% from 63.65%.

Of the proceeds finally raised through the private placement, (i) approximately RMB3,400 million was used for the acquisition of a 100% equity interest in Shanghai Investment, an indirect wholly-owned subsidiary of SIIC Shanghai; and (ii) approximately RMB446 million was used for the acquisition of a 61.48% interest in Longchuang Eco-Energy (among which, RMB308 million was used to acquire a 42.3549% interest in Longchuang Eco-Energy, and 20,000,000 new shares of SI Development were issued in exchange for (a) 9,181,978 shares of Longchuang Eco-Energy (representing a 19.13% equity interest in Longchuang Eco-Energy) and (b) cash consideration of RMB94,740,000 payable by Cao Wenlong). An amount of RMB200 million will be injected into Longchuang Eco-Energy following the acquisition of the share interests. After the capital injection, SI Development will own 69.7849% equity interest in Longchuang Eco-Energy.

Shanghai Investment is engaged in real estate development business in Shanghai (which is in the Jing'an, Xuhui and Qingpu districts respectively), Suzhou, Shaoxing and other places. The acquisition of Shanghai Investment will bring SI Development a high-quality land bank and significantly strengthen the principal business of SI Development with immediate and sustainable profit contributions. Longchuang Eco-Energy is engaged in the consultation, design and application of construction energy saving facilities and the provision of comprehensive energy saving application solutions. The acquisition of Longchuang Eco-Energy is expected to create synergies for the existing business of SI Development and add value to its real estate business, further enhancing the company's profitability. Currently the acquisition of a 100% equity interest in Shanghai Investment and a 42.3549% equity interest in Longchuang Eco-energy has been completed. The entire placing will have far-reaching effects on the overall scale, financing capability, profit contribution as well as future business growth for SI Development. This also reflects the Group's strategic move to further integrate its real estate business.

Leveraging on the strength of its principal businesses to actively develop new business, SI Development diversified its investment and expanded into related businesses such as high-technology, internet, energy saving and environmental protection and new sources of materials, etc. during the year to further upgrade its existing businesses and open up new frontiers for profit growth. In March 2015, SI Development successfully issued a RMB1,000 million first phase corporate bond (3 years + 2 years) with an interest rate at 4.92%, and in June 2015, the company further issued its 2015 first medium-term notes, with a principal amount of RMB1,000 million for a period of 3 years at an interest rate of 4.95%. The funds raised have been received in full and will be used to support the company's subsequent developments.

In May and July 2015 respectively, SI Development further increased its interests in Lot G05-6 located at Shanghai Jiading New Town by acquiring a 62.5% equity in total from other shareholders. The total consideration for the two transactions amounted to RMB56.25 million. The acquisition has been completed and SI Development now owns 100% interest in the land. In June 2015, SI Development acquired a further 34% equity interest of the Yuzhengchuchu no. 18 plot project in Hangzhou from the other shareholder of the project company for a consideration of RMB53.35 million. The acquisition has been completed and SI Development has increased its equity interest in the plot to 85%.

In April 2015, SI Development acquired a 90% equity interest of Fengsheng Times Building located in Changsha, Hunan Province for a consideration of RMB18.58 million. Expected to be completed and delivered in 2016, the property has a total of 31 floors and a total height of 99.90 meters. In June, SI Development acquired through bidding the land use right of a plot for residential use in Beibei District of Chongqing, for a consideration of RMB87.11 million. The land has a site area of 30,845 square meters with a plot ratio of 1.82 and a total planned floor area of 56,199 square metres. In September, a company as to 38% owned by SI Development, won a bid for the state-owned construction land use right for two plots in the Demonstration Zone of eastern Dongtan of Chongming Island for a consideration of RMB221 million. In November 2015, SI Development further won a bid for the state-owned construction land use right for the plot HK324-01 located at Tilanqiao Road, Hongkou District, Shanghai through its 49% owned company for a consideration of RMB3,260 million. The plot has a site area of approximately 23,037 square meters and a planned total gross floor area of 126,700 square meters and is for commercial and office use.

In June 2015, SI Development disposed of all its 10% equity interest in the plot B-2, B-7-1 and B-7-2 project in the eastern sea area of Quanzhou in Fujian Province by open bidding at a transfer price of RMB53 million. In September 2015, the company further disposed of its entire equity interest in Harbin SIIC Property Co., Ltd. for a consideration of RMB62,085,200. The Longines Bay project developed by the company has been basically sold out. The transaction will contribute a pre-tax profit of approximately RMB10 million. These transactions are expected to optimize cash flow for the company.

SI Urban Development

SI Urban Development recorded a revenue of HK$3,872 million for the year, representing a decline of 50.2% over last year. Profits attributable to shareholders for the year were HK$517 million, representing a year-on-year increase of 220.9% and mainly attributable to the completion of the disposal of the Qi'ao Island project in Zhuhai which generated a considerable pre-tax disposal profit of approximately HK$1,196 million. The gross floor area of properties delivered during the year was approximately 206,000 square meters, and major projects included Urban Cradle in Shanghai, Originally (formerly named CBE International Peninsula) in Xi'an and Shanghai Jing City. Rental income for the year was approximately HK$696 million. The amount of contracted sales reached RMB5,832 million with a total floor area of 300,000 square meters, arising mainly from CBE International Peninsula in Xi'an, Shanghai Jing City and Urban Cradle in Shanghai.

In September 2015, SI Urban Development entered into a letter of intent with an independent third party in relation to the proposed disposal of a plot in Qi'ao Island, Zhuhai for a consideration of RMB3,100 million, of which RMB100 million was paid by the purchaser as deposit. The plot was planned to be developed into a commercial, residential and villa complex with a total floor area of approximately 2.21 million square meters. As of today, construction has not yet commenced. A final agreement was made in December 2015 followed by the completion of the transaction in the same month. SI Urban Development is expected to record a pre-tax profit of HK$1,196 million from the disposal. The transaction has released the real value of the project and enabled SI Urban Development to focus on property development projects in the Yangtze River Delta and other developed cities.

In January 2016, Shanghai Urban Development, a 59%-owned subsidiary of SI Urban Development, entered into a redemption agreement in respect of Green Carbon Fund, pursuant to which Green Carbon Fund will redeem the 35% partnership interest held by Shanghai Urban Development for a cash consideration of RMB1,668 million. Prior to the completion of the transaction, Shanghai Urban Development held 40% interest directly and 35% interest through Green Carbon Fund, in Longcheng Properties, respectively. Longcheng Properties is responsible for developing the "U Center" project in Minhang District, Shanghai with a site area of 87,326.6 square meters and a total gross floor area of 511,982 square meters. Currently, construction of the project has almost been completed. Through this transaction, SI Urban Development successfully realized part of the hidden value of the "U Center" project and optimised the strategic landscape of its investment properties and this will be utilised to fund acquisitions of future new projects. A pre-tax profit of approximately RMB933 million is expected to be recorded from the disposal for Shanghai Urban Development.

In July 2015, SI Urban Development reached a strategic cooperation framework agreement with the Minhang District government in Shanghai for a joint co-operation on the municipal infrastructure and public facilities construction, including the building of foundation facilities and the development of real estate related business in order to promote project development in the Minhang District. The Minhang District government has agreed to give tax and other policy concessions to the company in order to attract investments and to encourage its active participation in the development of projects in the district. In addition, renovation plans will be made in future for ShanghaiMart, which was jointly acquired by SI Urban Development and Nan Fung Group and is located in a prime area in Shanghai Hongqiao Economic and Technological Development Zone. The renovation is expected to further enhance management and operation of the project and to increase rental income. In February 2015, SI Urban Development disposed of its entire equity interest in a development project in the Yanjiao Economic and Technological Development Zone in Hebei Province for an aggregate consideration of RMB940 million.

In September 2015, SI Urban Development partnered with Sun Hung Kai to jointly develop the TODTOWN project in Minhang District, Shanghai. Each of Shanghai Urban Development, Sun Hung Kai and the Minhang District Government holds 1/3 equity interest in the project, which will be developed into an urban area incorporating commercial, entertainment, cultural, leisure and residential facilities. In December 2015, SI Urban Development and Shenzhen Ping An Real Estate Company Ltd. entered into a strategic cooperation agreement, pursuant to which both parties will capitalize on their own strengths and to communicate and cooperate between the two parties in the area of equity cooperation, asset management, financial investment, specialized funds and property finance. The two parties will also jointly explore opportunities for new projects, develop existing projects and work together on the capital markets, as part of their pilot cooperative efforts, starting with the real estate area.

During the year, SI Urban Development successfully expanded its financing channels and effectively kept its capital cost under control. The fund raising activities completed include: Shanghai Urban Development issued 7-year corporate bonds with a principal amount of RMB1,800 million with a coupon rate of 4.47%; SI Urban Development obtained a free trade loan of RMB1,000 million from Bank of China and is applying for the issue of panda bonds of RMB5,000 million. In the future, SI Urban Development will focus on property development projects in the Yangtze River Delta and developed cities, where it already has a strong presence, and will allocate more resources to Shanghai to consolidate the foundation for its future development.

Set our below is a summary of the main property development projects of the Group as at 31 December 2015:

Major Development Properties

	City	Projects of SI Development	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Date of completion
1	Kaifu District, Changsha	Fengsheng Times Building (豐盛時代大廈)	Residential and commercial	90%	5,468	70,566	1,246	–	2016
2	Chenghua District, Chengdu	Hi-Shanghai (上實•海上海)	Commercial and residential	100%	61,506	254,885	38,113	83,151	Completed
3	Xiaguan Town, Dali	Sea Melody (洱海莊園)	Residential and commercial	75%	292,123	348,870	4,725	286,376	Completed
4	Yuhang District, Hangzhou	Hi-Shanghai (上實•海上海)	Residential and commercial	85%	74,864	230,484	–	–	2018
5	Wuxing District, Huzhou	Shanghai Bay (海上灣)	Residential	100%	85,555	96,085	27,560	23,257	Completed
6	Wuxing District, Huzhou	SIIC Garden Hotel (上實花園酒店)	Hotel and commercial	100%	116,458	47,177	–	–	2016
7	Wuxing District, Huzhou	Hurun Commercial Plaza (湖潤商務廣場)	Commercial	100%	13,661	27,322	–	–	Completed
8	Shilaoren National Tourist Resort, Qingdao	International Beer City (國際啤酒城)	Composite	100%	227,675	783,500	15,777	410,530	2014 to 2018, in phases
9	Fengze District, Quanzhou	Sea Palace (上實•海上海)	Residential and commercial	49%	381,795	1,670,032	3,134	–	2017 to 2021, in phases
10	Paojiang New Zone, Shaoxing	International Chinese City (國際華城)	Residential and commercial	96.4%	143,342	231,878	10,419	–	2016
11	Qingpu District, Shanghai	Belle Rive (海源別墅)	Villa	51%	315,073	51,911	–	11,963	2014 to 2016, in phases
12	Qingpu District, Shanghai	Shanghai Bay (上實•海上灣)	Residential	51%	808,572	454,880	16,467	90,382	2011 to 2017, in phases
13	Qingpu District, Shanghai	Zhujiajiao Lot D1 (朱家角D1地塊)	Residential	51%	162,708	121,683	5,985	3,746	2017
14	Qingpu District, Shanghai	Shanghai International Art Centre (北竿山國際藝術中心)	Composite	100%	194,956	120,363	19,655	57,665	Completed
15	Jinshan District, Shanghai	Flos Granti (海上納緹)	Residential	100%	135,144	214,143	22,958	84,791	Completed
16	Jiading District, Shanghai	Lot F04-2 of Jiading Xincheng (嘉定新城F04-2地塊)	Residential and commercial	40%	58,949	163,351	–	–	2018
17	Jiading District, Shanghai	Essence of Shanghai (上實•海上薈)	Residential and commercial	100%	32,991	75,559	27,834	–	2016
18	Changning District, Shanghai	United 88 (八八中心)	Residential	100%	30,175	124,891	5,644	83,650	Completed
			Commercial	100%	16,520	123,308	–	–	2016

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

	City	Projects of SI Development (continued)	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Date of completion
19	Jingan District, Shanghai	Territory Shanghai (泰府名邸)	Residential	100%	32,512	115,737	–	97,130	2017
20	Wuzhong District, Suzhou	Lake Villa (現代園墅)	Residential	70%	285,185	283,377	19,465	57,512	2016
21	Xiqing District, Tianjin	Rhine Town (萊茵小鎮)	Residential and commercial	100%	375,961	529,971	4,652	440,676	Completed
22	Xiqing District, Tianjin	Hua Ting Jia Yuan (華亭佳園)	Residential and commercial	51%	225,579	323,194	19,845	304,276	Completed
23	Xiqing District, Tianjin	Hua Ting Li Yuan (華亭麗園)	Residential	51%	185,177	245,865	14,866	234,616	Completed
Sub-total					**4,261,949**[1]	**6,709,032**[1]			

	City	Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Date of completion
1	Chaoyang District, Beijing	America Rock (後現代城)	Residential and commercial	100%	121,499	523,833	681	450,751	Completed
2	Chaoyang District, Beijing	Youngman Point (青年匯)	Residential and commercial	100%	112,700	348,664	445	247,438	2007 to 2016, in phases
3	Haidian District, Beijing	West Diayutai (西釣魚台嘉園)	Residential	90%	42,541	250,930	663	171,832	2007 to 2017, in phases
4	Wangcheng District, Changsha	Forest Sea (森林海)	Residential and commercial	67%	679,620	907,194	4,088	240,386	2007 to 2017, in phases
5	Jiulongpo District, Chongqing	Top City (城上城)	Residential, commercial and office	100%	120,014	786,233	11,243	359,027	2008 to 2016, in phases
6	Huaqiao Town, Kunshan	Yooouu.net (游站)	Commercial and office	30.7%	34,223	129,498	–	55,344	Completed
7	Zhoushi Town, Kunshan	Royal Villa (琨城帝景園)	Residential	53.1%	205,017	267,701	27,400	164,066	2007 to 2017, in phases
8	Minhang District, Shanghai	Urban Cradle (萬源城)	Residential and commercial	53.1%	908,950	1,136,468	40,212	700,711	2007 to 2016, in phases
9	Minhang District, Shanghai	Shanghai Jing City (上海晶城)	Residential and commercial	59%	301,908	772,885	77,100	499,298	2012 to 2017, in phases
10	Minhang District, Shanghai	Jingjie Yuan (晶杰苑)	Residential and commercial	59%	49,764	125,143	–	95,594	Completed
11	Minhang District, Shanghai	U Center (城開中心)	Office, commercial and hotel	59%	65,727	388,125	–	–	2014 to 2016, in phases
12	Songjiang District, Shanghai	Shanghai Youth City (上海青年城)	Commercial and office	100%	57,944	212,130	659	138,137	Completed
13	Heping District, Shenyang	Shenyang • U Centre (瀋陽城開中心)	Commercial, office and serviced apartment	80%	22,651	228,768	–	–	2015 to 2017, in phases

	City	Projects of SI Urban Development (continued)	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Date of completion
14	Futian District, Shenzhen	China Phoenix Tower (中國鳳凰大廈)	Residential, commercial and office	91%	11,038	106,190	–	78,343	Completed
15	Nankai District, Tianjian	Laochengxiang (老城廂)	Residential, commercial and office	100%	244,252	752,883	13,016	559,492	2006 to 2017, in phases
16	Binghu District, Wuxi	Urban Development International Center (上海中心城開國際)	Commercial, hotel, office and serviced apartment	59%	24,041	193,368	7,507	18,037	Completed
17	Xian Chanba Ecotope	Originally (formerly named) CBE International Peninsula 自然界(前稱(滻灞半島)	Residential, commercial and hotel	71.5%	2,101,967	3,899,867	117,068	1,880,759	2008 to 2017, in phases
Sub-total					**5,103,856**	**11,029,880**			

	City	Projects of the Company	Type of property	Interest attributable to the Company	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Date of completion
1	Qingpu District, Shanghai	Belle Rive (海源別墅)	Villa	49%	315,073	51,911	–	11,963	2014 to 2016, in phases
2	Qingpu District, Shanghai	Shanghai Bay (上實 • 海上灣)	Residential	49%	808,572	454,880	16,467	90,382	2011 to 2017, in phases
3	Qingpu District, Shanghai	Lot D1 of Zhujiajiao (朱家角D1地塊)	Residential	49%	162,708	121,683	5,985	3,746	2017
Sub-total					**1,286,353**[1]	**628,474**[1]			
Total					**10,652,158**[1]	**18,367,386**[1]			

Major Future Development Properties

	City	Projects of SI Development	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Date of completion
1	Beibei District, Chongqing	Lot A72-4/03	Residential and commercial	100%	30,845	56,199	2017
2	Yuhang District, Hangzhou	Lot 46, Gudun Road project (古墩路項目46號地塊)	Residential and commercial	46%	59,640	137,172	2019
3	Wuxing District, Huzhou	Lot HD35-2E of eastern new zone (東部新區HD35-2E地塊)	Residential and commercial	100%	115,647	173,470	2019
4	Wuxing District, Huzhou	Lot BLD35-2 of eastern new zone (東部新區BLD35-2地塊)	Residential	100%	68,471	150,636	–
5	Hongkou District, Shanghai	Lot HK324-01 of Tilanqiao Road 提籃橋街道HK324-01號地塊	Commercial	49%	23,037	221,047	2018
6	Qingpu District, Shanghai	Zhujiajiao Lot D2 (朱家角D2地塊)	Residential and commercial	51%	349,168	207,612	2017
Sub-total					**646,808**	**946,136**	

	City	Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Date of completion
1	Minhang District, Shanghai	TODTOWN (天薈)	Residential, commercial, hotel, office and apartment office	20.7%	117,825	605,000	2018 to 2022, in phases
2	Xuhui Binjiang District, Shanghai	Binjiang U Centre (濱江城開中心)	Office and commercial	35.4%	77,371	404,600	2016 to 2021, in phases
Sub-total					**195,196**	**1,009,600**	

	City	Projects of the Company	Type of property	Interest attributable to the Company	Approximate site area (square meters)	Planned total GFA (square meters)	Date of completion
1	Qingpu District, Shanghai	Zhujiajiao Lot D2 (朱家角D2地塊)	Residential and commercial	51%	349,168	207,612	2017
2	Qingpu District, Shanghai	Shanghai Lot F (上海F地塊)	Villa	10%	350,533	175,267	Under planning
3	Qingpu District, Shanghai	Shanghai Lot G (上海G地塊)	Villa	10%	401,274	200,637	Under planning
Sub-total					**1,100,975**	**583,516**	
Total					**1,942,979**	**2,539,252**	

Major Investment Properties

	City	Projects of SI Development	Type of property	Interest attributable to SI Development	Total GFA for investment properties (square meters)
1	Wenjiang District, Chengdu	Orchard Forest Commercial Building (錦繡森鄰商業用房)	Commercial	100%	1,396
2	Qingdao Economic Development Zone	Dali Plaza (達利廣場)	Commercial	76%	21,495
3	Changning District, Shanghai	Super Ocean Finance Center (仲盛金融中心)	Commercial and office	100%	2,321
4	Hongkou District, Shanghai	Gao Yang Commercial Centre (高陽商務中心)	Commercial and office	100%	26,668
5	Hongkou District, Shanghai	Gao Yang Hotel (高陽賓館)	Hotel	100%	3,847
6	Huangpu District, Shanghai	Golden Bell Plaza (金鐘廣場)	Commercial and office	100% 90%	12,270 49,006 (carpark included)
7	Huangpu District, Shanghai	Commercial units of Huangpu Estate (黃浦新苑商鋪)	Commercial	100%	20,918 (carpark included)
8	Huangpu District, Shanghai	No. 108, Haichao Road (海潮路108號)	Commercial	100%	474
9	Jingan District, Shanghai	Imperial Mansion (泰府名邸)	Commercial	100%	420
10	Pudong New District, Shanghai	No. 1111, Shangchuan Road (上川路1111號)	Industrial building	100%	40,208

	City	Projects of SI Development (continued)	Type of property	Interest attributable to SI Development	Total GFA for investment properties (square meters)
11	Pudong New District, Shanghai	Huadian Building (華電大廈)	Office	100%	344
12	Xuhui District, Shanghai	Shanghai Industrial Investment Building (上海實業大廈)	Commercial and office	100%	10,089
				74%	23,035 (carpark included)
13	Xuhui District, Shanghai	Yonglong Building (永隆大廈)	Office	100%	798
14	Yangpu District, Shanghai	Hi-Shanghai Commercial and Cultural Complex (海上海商業用房及文化設施)	Composite	100%	44,027 (carpark included)
15	Tianjin	Commercial units of Rhine Town Phase II (萊茵小鎮二期商業用房)	Commercial	100%	5,961
Sub-total					**263,277**

	City	Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Total GFA for investment properties (square meters)
1	Chaoyang District, Beijing	Youngman Point (青年匯)	Commercial	100%	19,768 [2]
2	Jiulongpo District, Chongqing	Top City (城上城)	Commercial and car park	100%	251,847 [2]
3	Shanghai Hongqiao Economic & Technological Development Zone	ShanghaiMart (上海世貿商城)	Exhibition, trade market, office and car park	51%	284,651
4	Songjiang District, Shanghai	Shanghai Youth City (上海青年城)	Commercial	100%	16,349 [2]
5	Xuhui District, Shanghai	Urban Development International Tower (城開國際大廈)	Office	59%	45,239
6	Xuhui District, Shanghai	Huimin Commercial Tower (匯民商廈)	Commercial	59%	13,839
7	Shanghai	Others	Commercial and office	59%	9,249
8	Futian District, Shenzhen	China Phoenix Tower (中國鳳凰大廈)	Office	91%	1,048 [2]
9	Nankai District, Tianjian	Laochengxiang (老城廂)	Residential, commercial and office	100%	1,805 [2]
Sub-total					**643,795**
Total					**907,072**

Notes:
1. There are duplicate figures in the GPA of Belle Rive, Shanghai Bay in Shanghai, Zhujiajiao Lot D1 and Zhujiajiao Lot D2.
2. Such total GFAs are duplicate figures, which have been included in the Major Development Properties table.

CONSUMER PRODUCTS

The consumer products business contributed a profit of HK$1,048 million during 2015, representing a decrease of 2.8% over last year and accounting for 34.8% of the Group's Net Business Profit. It continued to provide a steady profit and cash flow to the Group during the year. In the coming year, the Group will strive to consolidate its existing market share and accelerate development of new products while it will actively develop molded fiber business to expand its source of future profit.

Tobacco

During the year, Nanyang Tobacco recorded a net profit of HK$930 million, a year-on-year increase of 2.5% and revenue of HK$3,116 million, a year-on-year decrease of 1.7%. The year 2015 marked the 110th anniversary of the establishment of Nanyang Tobacco and was also a year in which Nanyang Tobacco consolidated its resources from all sides to enhance its operational strength. Nanyang Tobacco also strived to become a regional leading enterprise with sustainable development by adhering to its operational strategy of "controlling size, adjusting structure, maintaining performance and developing brand". With the transformation of the PRC macro-economy, sales in the tobacco industry declined while the prices of raw materials continued to surge. Faced with challenges brought by the complexities and volatility of the external environment during the year, Nanyang Tobacco was able to overcome such difficulties and fulfilled its operational targets for the year. In the coming year, it will focus on market expansion, new product development and technical upgrading to ensure sustainable development of the company on a new era.

During the year, despite competition from international markets, Nanyang Tobacco leveraged on its own strengths and made flexible and prompt adjustments to its sales strategies to cope with changes in different markets, successfully meeting its sales target for the year. The new key product of the year was launched simultaneously in different countries with 16 versions, which has demonstrated the company's ability to develop and market new products abroad. During the year, Nanyang Tobacco accelerated the upgrading and alteration of equipment and technology to ensure that they reach industry advanced standards. As a result, the quality of tobacco it produced and its capability to develop new products has been significantly enhanced. With the substantial increase in the prices of raw materials, in particular leaf tobacco, Nanyang Tobacco broadened its purchase from different sources to strictly select high-quality leaf tobacco and enhance production management, to ensure stringent cost control.

Printing

Wing Fat Printing recorded a revenue of HK$1,110 million in the year, representing a decrease of 2.7% from the last financial year; net profits amounted to HK$128 million, a year-on-year decrease of 34.6%, which was mainly due to a considerable one-off net gain from entrustment funds recorded in July 2014. Due to adverse factors such as PRC policies for the tobacco and wine packaging industry and the decrease in bid price, the overall sales of the company declined. Through measures to lower cost and adjust business structure, the company was able to maintain its gross profit margin for the year. Through the establishment of the molded fiber business during the year, Wing Fat Printing successfully made a strategic transformation of its business.

In August 2015, Wing Fat Printing reached an agreement with the shareholders of Qingdao Huiyu, pursuant to which the shareholders will set up a new company and inject the molded fiber business and assets of Qingdao Huiyu therein, while Wing Fat Printing will acquire a 70% equity interest of the new company for a consideration of RMB56 million to rapidly enter the business for the manufacturing of yellow molded fiber packaging boxes and to obtain better investment returns. In order to strengthen future development of its new business, Wing Fat Printing commenced the construction and expansion of production facilities for high-end molded fiber products in Hua County, Henan and Jiangyan, Jiangsu respectively in November 2015 to develop and produce the new generation of high-end molded fiber products, in order to meet the needs of new orders and explore new drivers for profit growth for the company. It will strive to develop the new business and fully enhance the product quality of its molded fiber business and team building in the next year.

FINANCIAL REVIEW

KEY FIGURES

	2015	2014 (restated)	Change %
Results			
Revenue (HK$'000)	19,693,682	21,333,017	-7.7
Profit attributable to owners of the Company (HK$'000)	2,770,168	3,096,256	-10.5
Earnings per share – basic (HK$)	2.553	2.860	-10.7
Dividend per share (HK cents)	81	90	
– Interim (paid)	36	45	
– Final (proposed)	45	45	
Dividend payout ratio	31.7%	31.5%	
Interest cover (note (a))	5.3 times	7.0 times	

	2015	2014 (restated)	Change %
Financial Position			
Total assets (HK$'000)	142,893,926	138,167,201	3.4
Equity attributable to owners of the Company (HK$'000)	36,028,098	35,228,423	2.3
Net assets per share (HK$)	33.18	32.54	2.0
Net debt ratio (note (b))	56.13%	49.94%	
Gearing ratio (note (c))	46.82%	46.20%	
Number of shares in issue (shares)	1,085,850,600	1,082,761,600	

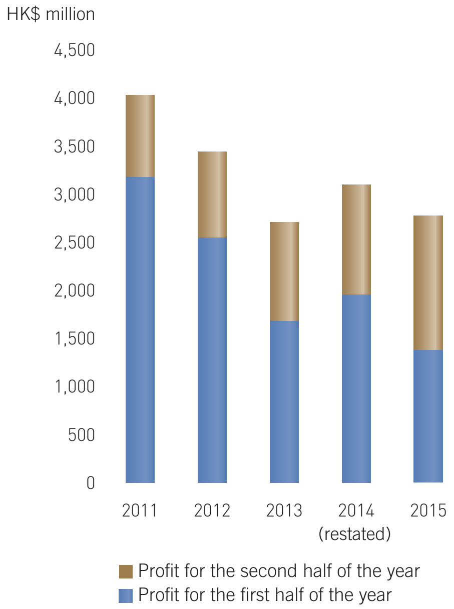
Note (a): (profit before taxation, interest expenses, depreciation and amortization)/interest expenses
Note (b): (interest-bearing loans – cash)/equity attributable to owners of the Company
Note (c): interest-bearing loans/(equity attributable to owners of the Company + non-controlling interests + interest-bearing loans)

Note: The Company's non-wholly owned subsidiary, SI Development has adopted the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" to account for its acquisitions of Shanghai Investment from SIIC. The comparative figures for 2014 contained in this Financial Review had been restated accordingly.

I ANALYSIS OF FINANCIAL RESULTS

1 Profit attributable to owners of the Company

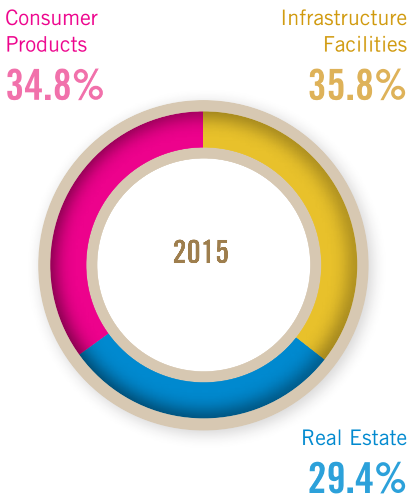
For the year ended 31 December 2015, the Group recorded a profit attributable to owners of the Company of HK$2,770.17 million, a decrease of HK$326.09 million or approximately 10.5% as compared to 2014.

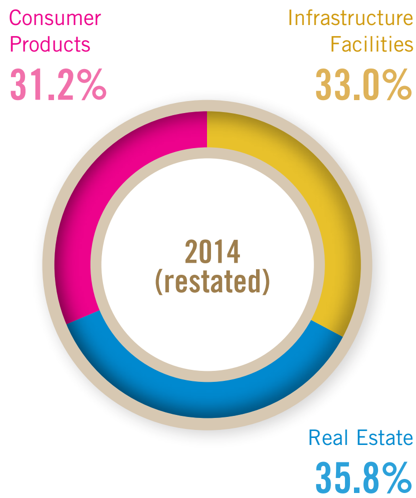


2 Profit Contribution from Each Business

The profit contributed by each business in the Group for the year of 2015 and the comparative figures last year was summarized as follows:

	2015 HK$'000	2014 HK$'000 (restated)	Change %
Infrastructure Facilities	1,079,615	1,139,514	-5.3
Real Estate	887,967	1,235,853	-28.1
Consumer Products	1,048,404	1,078,866	-2.8
	3,015,986	3,454,233	-12.7





Net profit from the infrastructure facilities business for the year were approximately HK$1,079.62 million, accounting for 35.8% of Net Business Profit, and representing a year-on-year decrease of 5.3%. While the traffic flow of the three expressways recorded natural growth ranging from 5.8% to 10.9%, Jing-Hu Expressway (Shanghai Section) recorded a drop in average toll revenue per vehicle, affected by the diversion of Shanghai Jia-Min Elevated Highway and reduced subsidies receipt. For these reasons, the result for toll roads recorded a year-on-year decrease of 2.6%. As for the water services business, the decrease in profit was mainly due to lack of gains during the year which was similar to the gain of fair value change from Longjiang Environmental of HK$67.17 million and a dilution gain of HK$15.76 million resulting from the dilution of shareholding in General Water of China from 47.5% to 45% last year. Excluding such one-off factors, the water services business recorded an increase of 23.1% in operating profit, of which profit attributable to shareholders of SI Environment increased by 24.0% driven by profit contributions from newly acquired projects, while its profit contributions to the Group were offset by the dilution of equity interests and recorded a year-on-year increase of 14.1%. General Water of China recorded a growth in operating profits, with a year-on-year growth of 31.8%, benefitting from capitalization of debts by two shareholders, which in turn reduced interest expenses for the year.

The real estate business recorded a profit of HK$887.97 million, accounting for 29.4% of Net Business Profit, and representing a substantial decrease of approximately HK$347.89 million over 2014. The decrease was mainly due to a drop in property sales booked by SI Urban Development as compared to last year and a depreciation of 4.6% in Renminbi during the year, leading to higher foreign exchange losses recorded over last year by SI Urban Development. In addition, the disposal of Lot E of Qingpu District, Shanghai was completed the year before while the disposal of a 100% interests in Qi’ao Island Project, a 100% interests in Yanjiao Project and the remaining 10% interests in Four Seasons Hotel were completed during the year. A decrease of approximately HK$123.05 million as compared to last year was recorded in profits from disposals of projects in the real estate business for the year.

The consumer products business recorded a net profit of HK$1,048.40 million, accounting for 34.8% of Net Business Profit, and representing a year-on-year decrease of 2.8% in net profit. The decline was mainly attributable to the 2-year entrustment income recorded by Wing Fat Printing on maturity last year. Net profit contributions from Wing Fat Printing reduced considerably by 31.0% as similar investment income from Wing Fat Printing decreased for the year. The business of Nanyang Tobacco remained stable with an increase of HK$22.61 million in net profit.

3 Revenue

The Group's revenue by principal activities for the year of 2015 and the comparative figures last year was summarized as follows:

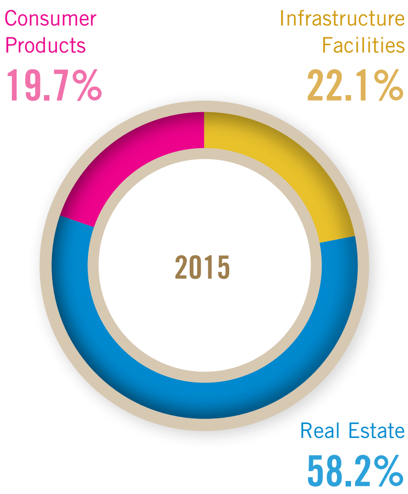
	2015 HK$'000	2014 HK$'000 (restated)	Change %
Infrastructure Facilities	4,348,739	3,680,795	18.1
Real Estate	11,455,908	13,693,840	-16.3
Consumer Products	3,889,035	3,958,382	-1.8
	19,693,682	21,333,017	-7.7

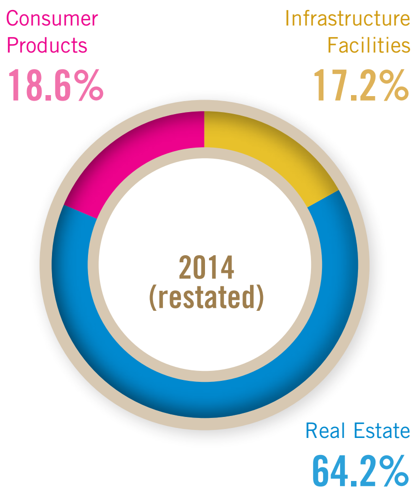
In 2015, the revenue amounted to approximately HK$19,693.68 million, representing a decrease of 7.7% as compared to last year. Property sales in the real estate business dropped as compared to last year. Nevertheless, the decrease was partially offset by increases in revenue from the infrastructure facilities business.

The year-on-year increase in revenue of the infrastructure facilities business was mainly attributable to the completion of the acquisition of Fudan Water by SI Environment, the consolidation of its sales revenue and the reclassification of finance income from service concessions of approximately HK$414.72 million in revenue.

The real estate business recorded a decrease in revenue, mainly due to a significant decline of HK$4,204.58 million in property sales booked by SI Urban Development as compared to last year. The decrease was however partially offset by increases in the full-year sales of HK$1,776.14 million after consolidations according to merger accounting after the completion of the acquisition of Shanghai Investment by SI Development.

Revenues from Nanyang Tobacco and Wing Fat Printing both recorded a mild fall, leading to a year-on-year decrease of approximately 1.8% in revenue from the consumer products business.





4 Profit before Taxation

(1) Gross profit margin

Compared to 2014, gross profit margins increased by a 0.1 percentage point, mainly due to finance income from service concessions of HK$414.72 million was reclassified to revenue by SI Environment for the year. The gross profit margin from such business is relatively higher, leading to an increase in the overall gross profit margin of the infrastructure facilities business by approximately 3.7 percentage points. The gross profit margin for the real estate and consumer products businesses remained stable.

(2) Other income, gains and losses

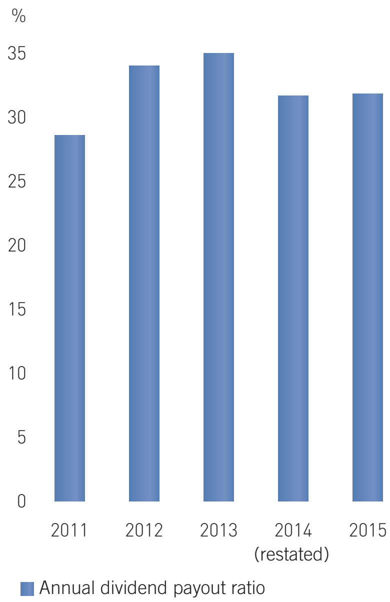
Foreign exchange losses increased due to a larger depreciation of Renminbi in 2015.

(3) Net gain on disposal of interests in other subsidiaries and an associate/deemed partial disposal of interest in a joint venture

The net gain for the year was mainly attributable to a profit before tax of HK$1,195.24 million and HK$452.37 million from the disposal of a 100% equity interests in Qi'ao Island Project and a 100% equity interests in Yanjiao Project, respectively. The net gain for last year was mainly attributable to the disposal of a 40% equity interests in Tianjian Yijiahe Project completed by SI Urban Development and the dilution of equity interests in General Water of China from 47.5% to 45%, generating a profit of HK$15.76 million.

5 Dividend

The Board of Directors has proposed a final dividend of HK45 cents per share. Together with an interim dividend of HK36 cents per share, the total dividend amounted to HK81 cents per share for 2015 (2014: HK90 cents per share). Annual dividend payout ratio is 31.7% (2014: 31.5%).

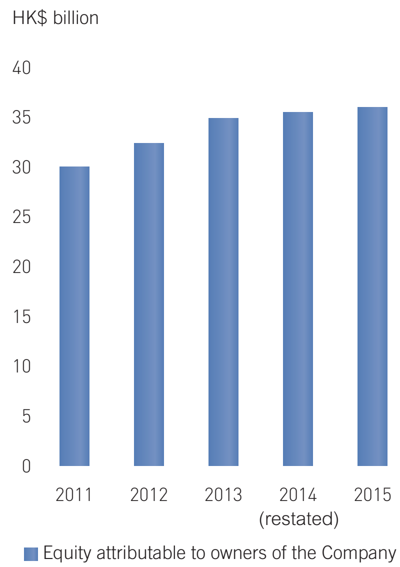


II FINANCIAL POSITION OF THE GROUP

1 Capital and Equity attributable to owners of the Company

The Company had a total of 1,085,850,600 shares in issue as at 31 December 2015, increasing by 3,089,000 shares, compared with 1,082,761,600 shares as at the end of 2014. The exercise of share options by employees increased 3,586,000 shares but this was partly offset by the repurchase of 497,000 shares by the Company for cancellation during the year.

Equities attributable to owners of the Company reached HK$36,028.10 million as at 31 December 2015, and the increase was attributable to the net profit after deducting the dividend actually paid during the year.



2 Indebtedness

(1) Borrowings

SIHL Finance Limited, a wholly-owned subsidiary of the Company, signed a HK$3 billion or US dollar equivalent dual-currency club loan in July 2015 for a term of 5 years. The facility was used for the repayment of a syndicated loan of HK$2.6 billion due in November 2015 and for general working capital. Apart from that, the Company signed a RMB1 billion loan in April 2015, which was used for the repayment of a Renminbi loan due in May 2015.

As at 31 December 2015, the total borrowings of the Group including bank borrowings, other borrowings and convertible bonds amounted to approximately HK$48,684.33 million (31 December 2014: HK$45,892.81 million), of which 62.0% (31 December 2014: 61.5%) was unsecured credit facilities. The proportions of US dollars, Renminbi and HK dollars of total borrowings were 9%, 69% and 22% (31 December 2014: 8%, 60%, 32%) respectively.

(2) Pledge of assets

The following assets were pledged by the Group to banks to secure banking facilities granted by these banks to the Group:

(a) investment properties with an aggregate carrying value of HK$12,613,259,000 (31 December 2014: HK$12,456,886,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$1,569,254,000 (31 December 2014: HK$1,664,858,000);

(c) plant and machineries with an aggregate carrying value of HK$25,529,000 (31 December 2014: HK$30,956,000);

(d) one (31 December 2014: one) toll road operating right with a carrying value of HK$2,778,489,000 (31 December 2014: HK$3,095,721,000);

(e) receivables under service concession arrangements with an aggregate carrying value of HK$2,440,439,000 (31 December 2014: HK$2,553,891,000);

(f) properties under development held for sale with an aggregate carrying value of HK$8,279,494,000 (31 December 2014: HK$8,443,487,000);

(g) properties held for sale with an aggregate carrying value of HK$1,541,220,000 (31 December 2014: HK$129,768,000);

(h) trade receivables with an aggregate carrying value of HK$188,229,000 (31 December 2014: HK$192,098,000); and

(i) bank deposits with an aggregate carrying value of HK$362,252,000 (31 December 2014: HK$742,973,000).

(3) Contingent liabilities

As at 31 December 2015, the guarantees given to banks by the Group in respect of banking facilities utilised by an entity controlled by Xuhui District State Owned Asset Administrative Committee, property buyers and joint ventures amounted to approximately HK$263.91 million, HK$2,553.96 million and HK$1,029.71 million (31 December 2014: HK$269.93 million, HK$1,669.79 million and HK$837.17 million) respectively.

3 Capital Commitments

As at 31 December 2015, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK$5,526.29 million (31 December 2014: HK$7,373.54 million). The Group had sufficient internal resources and/or through loan markets for the finance of its capital expenditures.

4 Bank Deposits and Short-term Investments

As at 31 December 2015, bank balances and short-term investments held by the Group amounted to HK$28,460.70 million (31 December 2014: HK$28,300.32 million) and HK$444.19 million (31 December 2014: HK$490.20 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars of bank balances were 4%, 73% and 23% (31 December 2014: 8%, 81% and 11%) respectively. Short-term investments mainly consisted of investments such as Hong Kong and PRC listed shares.

While having sufficient working capital and a healthy interest cover, the Group is monitoring the market situation and respective funding requirements on a regular basis for business developments, and will seek opportunities to optimize its capital structure should the need arises.

III MANAGEMENT POLICIES FOR FINANCIAL RISK

1 Currency Risk

The Group mainly operates in China and the Hong Kong Special Administrative Region and the exposure in exchange rate risks mainly arise from fluctuations in the US dollar, Singapore dollar, HK dollar and Renminbi exchange rates. The management monitors foreign currency exposure, especially in view of the current depreciation risk for Renminbi The management will also consider hedging significant foreign currency exposures and adopting suitable measures where necessary in order to mitigate impacts due to the depreciation of the Renminbi to the Group.

2 Interest Rate Risk

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

3 Price Risk

The Group is exposed to price risks through its listed investments classified as either available-for-sale investments or financial assets at fair value through profit or loss. The management strictly monitors this exposure by maintaining a portfolio of investments with different levels of risks. The Group's price risks is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, a special team has been appointed by the management to monitor price risks and hedging against such risk exposures will be made should the need arises.

4 Credit Risk

The Group's principal financial assets are receivables under concession arrangements, pledged bank deposits, short-term bank deposits, bank balances and cash, securities and debt investments and trade and other receivables. The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made according to the Group's accounting policy or where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

With respect to the credit risk of the Group's treasury operations, all bank balances and cash, securities and debt investments of the Group must be placed and entered into with sound and reputable financial institutions. Strict requirements and restrictions in relation to the outstanding amount and credit ratings on securities and debt investments to be held are followed in order to minimize the Group's credit risk exposures.

Further details of financial risk management objectives and policies are set out in Note 55(b) under the section "Notes to the Consolidated Financial Statements".

CORPORATE GOVERNANCE REPORT

The Company has been adhering to good corporate governance principles and formulated a comprehensive and prudent corporate governance system which has been operating effectively for years. Through its sound internal control and risk management systems which aim to enhance transparency and accountability of corporation actions, our business has become more regulated while the interest of the Company and related stakeholders have been protected. As such, the Group has been able to further enhance the value of its shareholders.

CORPORATE GOVERNANCE STRUCTURE

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

In accordance with requirements for the Corporate Governance Code, the Company will oversee its risk management and internal control systems of the Company and its subsidiaries to ensure the effectiveness and appropriateness of the systems, in addition to internal audits currently conducted for subsidiaries within the Group. The scope of such reviews covered financial, operational and compliance controls.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company has complied with all code provisions set out in the Corporate Governance Code for the year ended 31 December 2015, except for deviations from E.1.2 of the Code as described below. An Independent Non-Executive Director, who was then also the chairman of the Remuneration Committee and Nomination Committee, was unable to attend the extraordinary general meeting of the Company held on 15 June 2015 due to a business engagement. Details of the principles and practices of governance of the Company and all major work and relevant changes during the year are set out in this report.

STRATEGIC OBJECTIVES AND BUSINESS MODEL

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

BOARD OF DIRECTORS

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

Composition of the Board

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

Name of Director	Executive position in the Board	Years of service in the Group
Executive Director		
Wang Wei	Chairman	2.75 years
Zhou Jie	Vice Chairman & Chief Executive Officer	14 years
Lu Shen	Executive Deputy CEO	6.5 years
Zhou Jun	Deputy CEO	10.5 years
Xu Bo	Deputy CEO	4 years
Independent Non-Executive Director		
Lo Ka Shui	-	20 years
Woo Chia-Wei	-	20 years
Leung Pak To, Francis	-	20 years
Cheng Hoi Chuen, Vincent	-	3.5 years

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

No member of the Board is materially related to one another in terms of financial, business and family aspects. Brief biographical details of the Directors are set out on pages 60 to 62 of this Annual Report. In all corporate communication channels as well as the websites of the Company and the Stock Exchange, the composition of the Board according to the categories and duties of the Directors are disclosed.

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

Independent Non-Executive Directors

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

Replacement of Directors

On 2 February 2015, Mr. Ni Jian Da resigned as an Executive Director and Deputy CEO of the Company for reason of pursuing his personal career development. The resolutions for the above changes were passed by all members of the Board, and relevant disclosures were made by announcement in accordance with the Listing Rules.

Terms of the Directors

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

At the 2015 annual general meeting, Mr. Xu Bo, Dr. Lo Ka Shui and Prof. Woo Chia-Wei retired by rotation and were re-elected in accordance with the Company's articles of association. In addition, as Dr. Lo Ka Shui and Prof. Woo Chia-Wei has served in the Company for more than nine years, his further appointment was approved by shareholders by individual vote proposed by the Company in accordance with the relevant requirements set out in the Corporate Governance Code.

At the upcoming 2016 annual general meeting, Mr. Zhou Jie, Mr. Zhou Jun and Mr. Cheng Hoi Chuen, Vincent shall retire by rotation in accordance with the articles of association of the Company. All of them, being eligible, have offered themselves for re-election. Their biographical details are set out in the circular to shareholders to be dispatched together with this Annual Report, so as to enable shareholders to make an informed decision on their election.

Responsibilities of Directors

The Directors of the Company are dedicated to their duties diligently, and have taken an active participation in the Company's affairs. The Company has established the procedures for Directors to Seek Professional Advice, and the Directors (also refers to board committee members) may seek independent professional advice according to such agreed procedures at the expense of the Company.

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

Proceedings at Directors' Meetings

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

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

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

In 2015, 21 board meetings were held by the Company (16 of which were in the form of written resolutions). Please refer to the Business Review, Discussion and Analysis of this Annual Report for material decisions made by the Board during the year. The attendance of individual Directors and committee members in 2015 is set out below:

	Meetings held in 2015					
	Meetings attended/Meetings held					
	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Number of meetings held in the year	**21**	**4**	**3**	**1**	**1**	**2**
Executive Director						
Wang Wei	21/21	4/4	–	–	–	2/2
Zhou Jie	21/21	4/4	–	–	–	2/2
Lu Shen	21/21	4/4	–	–	–	2/2
Zhou Jun	21/21	4/4	–	–	–	2/2
Xu Bo	20/21	4/4	–	–	–	2/2
Ni Jian Da[1]	1/1	–	–	–	–	–
Independent Non-Executive Director						
Lo Ka Shui	21/21	–	–	1/1	1/1	1/2
Woo Chia-Wei	20/21	–	3/3	1/1	1/1	1/2
Leung Pak To, Francis	21/21	–	3/3	1/1	1/1	2/2
Cheng Hoi Chuen, Vincent	21/21	–	3/3	1/1	1/1	2/2
Committee Members						
Li Han Sheng	–	–	–	1/1	1/1	–
Guo Fa Yong	–	–	–	1/1	1/1	–
Attendance	**99%**	**100%**	**100%**	**100%**	**100%**	**89%**

Notes:
1. Resigned on 2 February 2015.
2. The attendance is accounted for by reference to the number of board meetings held during the tenure of each respective Director.

Securities Transactions by Directors

The Company has established its own Code for Securities Transactions by Directors or Relevant Employees, which was set on terms no less exacting than the required standards set out in the Model Code. Having made enquiries with all Directors and the relevant employees of the Company, each of them has confirmed that the requirements of the Model Code and the code of the Company were fully complied with during 2015.

Directors' Training

Based on the Directors' training records, the trainings received by each Director for the year ended 31 December 2015 is summarized as follows:

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

Functions of Corporate Governance

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

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

DELEGATION BY THE BOARD

Board Committees

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

Executive Committee

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

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

Major Work Done by the Executive Committee

In 2015, the Executive Committee held four meetings in the form of written resolutions. The matters considered mainly included acquisitions and disposals of projects of subsidiaries.

Audit Committee

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

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

Major Work Done by the Audit Committee

In 2015, the Audit Committee held three meetings. The matters considered at the meetings included review of the Group's results, review of the Company's financial reporting, risk management and internal control system, review of internal audit, non-audit services report, human resources for accounting and financial reporting functions as well as appointment of external auditor for the coming year. During the year, not less than one meeting was held in the absence of Executive Directors for the Audit Committee to meet with the auditor.

The Company has made corresponding amendments to its existing terms of reference of the Audit Committee in accordance with the amendments to the internal control provisions in the Corporate Governance Code, and such amendments were considered and passed by the Board.

Remuneration Committee

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

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

Major Work Done by the Remuneration Committee

In 2015, the Remuneration Committee held one meeting. The matters considered included distribution and payment of discretionary bonuses to the Directors as well as proposed adjustments for the remuneration of Directors and senior management etc.

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

Determination of Directors' Remuneration

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

Nomination Committee

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

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

Major Work Done by the Nomination Committee

In 2015, the Nomination Committee held one meeting in the form of written resolutions. The matters considered included review of the structure, size and composition of the Board and the evaluation of independence of independent non-executive directors, etc. As the members of the Board come with different professional perspectives, and in terms of the background of our major shareholder and operation model of the Company, the committee is of the view that the Board basically demonstrates a diversified composition and structure.

EXECUTIVE MANAGEMENT

Management Executives

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

Investment Appraisal Committee

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

COMPANY SECRETARY

The Company Secretary is mainly responsible for sound information communication among the members of the Board and the compliance of the policy and procedures of the Board and all applicable rules and regulations. The Company Secretary maintains a close relationship with each Director and the management and provides assistance and advice to the members of the Board when necessary. During the year, the Company Secretary provided assistance and opinion to the Chairman, Chief Executive Officer, other members of the Board and the management in respect of issues including policy and procedures of the Board, applicable laws and regulations and corporate governance from time to time and arranges continuous professional development programmes for the Directors. The selection, appointment and dismissal of the Company Secretary are approved by the Board. Brief biographical details of the Company Secretary are set out on page 62 of this Annual Report and the Company's website.

ACCOUNTABILITY AND AUDITING

Appointment of External Auditor

In considering the re-appointment of external auditors, the Audit Committee has taken into consideration its relationship with the Company and its independence in the provision of non-audit services. An independence report has been submitted to the committee by the external auditor. Pursuant to the above, the Audit Committee has recommended the Board to re-appoint Messrs. Deloitte Touche Tohmatsu as the external auditor for the Company for 2016, subject to approval by shareholders at the annual general meeting to be held on 26 May 2016.

The audit fee of the external auditor for 2015 amounted to HK$16,338,000. The Company has also established the Policies on Provision of Non-audit Services by External Auditor, and non-audit services were reported to the Audit Committee each year. The fees for the non-audit services provided to the Group by the Company's external auditor (including its affiliates) for the year were as follows:

Fees for non-audit services	2015 HK$'000	2014 HK$'000
Financial due diligence of acquisition project	2,056	5,580
Tax consultation fee	252	310
Others	27	20
Total	**2,335**	**5,910**

Preparation of Financial Statements

The financial statements and interim report of the Company were prepared in accordance with the disclosure requirements set forth in Appendix 16 to the Listing Rules and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and in accordance with the Companies Ordinance. The Board is responsible for preparing and reviewing the Group's accounts to ensure that they give a true and fair view on the financial position as well as the profits and cash flows of the Company. The Company has consistently applied appropriate accounting policies during the year, and has made prudent and reasonable judgments and estimates and prepared its accounts on a going concern basis. The external auditor stated in the independent auditor's report its opinion and report to the shareholders on the relevant financial statements, and such report is set out on pages 73 and 74 of this Annual Report.

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

Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving its strategic objectives and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board will also oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the Board on the effectiveness of these systems. An Internal Audit Department has been established for monitoring the prudent and effective operation of the Group's risk management and internal control system (including all its major member companies) and respective reports will be made to the Audit Committee and the Board on a quarterly basis. The internal audit system is currently conducted in a cycle of three years. Internal audits will be conducted for direct subsidiaries within the Group for the purpose of risk assessment according to the significance of the respective projects.

For the year ended 31 December 2015, the Company has collected information and carried out investigations in respect of risk management and internal control issues for its subsidiaries. Key risk elements affecting the Group and contingency measures adopted were reported to the Audit Committee. No material deviation in the compliance with guidance on internal controls by the subsidiaries was reported. All subsidiaries have complied with the relevant laws and industry regulations in respect of legal compliance. No material non-compliance of rules or material litigation risk was reported, nor was there any fraud or corruption issue. In addition, the Board and the Audit Committee considered that the resources allocated, staff qualifications and experience in respect of the accounting, internal auditing and financial reporting functions of the Company as well as training programs and budget were adequate and sufficient.

SHAREHOLDERS

As at 31 December 2015, SIIC, the controlling shareholder of the Company, indirectly held 629,288,748 shares of the Company (excluding the interest in the underlying shares and short positions) with a shareholding percentage at approximately 57.95% (excluding the underlying shares). The percentage of public shareholding was approximately 42.05%.

Connections with Shareholders, Other Stakeholders and Investors

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

Proceedings at General Meeting

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

Rights of Shareholders

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

Convening a General Meeting

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

Moving a Motion at General Meeting

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

Recommendations of Director Candidates

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

INVESTOR RELATIONS

The company has maintained regular communication with investors. Apart from being invited to participate in major investor conferences and to keep its presence in the capital markets, the Company has also organized various activities to keep investors informed of its latest development. During the year, the Company participated in 11 investor forums in Hong Kong, Singapore and the mainland to keep investors abreast of our operation philosophy and prospects.

In addition, various activities have been arranged to facilitate the latest development of our flagship enterprises. For example, in the acquisition of a sludge treatment company by SI Environment, the Company arranged interviews of the management with press in Hong Kong and online media, explaining the development strategies and plans of our future environmental and water services business. In announcing private placements for SI Development, the Company invited research analysts to briefing sessions, explaining the details of the placement and SI Development's future business development strategies.

To promote the Xinzhuang integrated hub project in Minhang District in Shanghai for SI Urban Development, the Company has taken portfolio managers of large fund houses to visit our new projects in Shanghai during the fourth quarter of 2015. The Company also organized regular visits and gatherings for investors and the media in order to maintain good investor relations.

INFORMATION DISCLOSURE

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

CONSTITUTIONAL DOCUMENTS

During the year, there were no significant changes to the constitutional documents of the Company.

HUMAN RESOURCES

Staff (including Directors) salaries, allowances and bonuses totaled HK$1,094 million for the year (2014: HK$944 million). Details of Directors' remuneration paid for the year ended 31 December 2015 are set out in note 13 to the financial statements. The remuneration payable to senior management of the Company by band for the year ended 31 December 2015 was as follows:

Remuneration by band (HK$)	2015 Number of individuals
0 – 1,000,000	0
1,000,001 – 2,000,000	2
	2

Share Options

The Company adopted the SIHL New Scheme and terminated the SIHL Scheme at the extraordinary general meeting held on 25 May 2012. Up to 31 December 2015, 14,641,000 share options remained outstanding and unexercised under the SIHL Scheme. Apart from that, no share options were granted or outstanding under the SIHL New Scheme during the year.

The SI Urban Development Scheme adopted by SI Urban Development, a subsidiary of the Company, on 12 December 2002 was expired on 11 December 2012, and SI Urban Development New Scheme was adopted at the annual general meeting held on 16 May 2013. As at 31 December 2015, 42,750,000 share options remained outstanding and unexercised. Apart from that, no share options were granted or outstanding under the SI Urban Development New Scheme during the year.

SI Environment, a subsidiary of the Company, adopted the SI Environment Scheme and terminated its existing share option scheme at the extraordinary general meeting held on 27 April 2012. Up to 31 December 2015, no share options were granted or outstanding under the SI Environment Scheme.

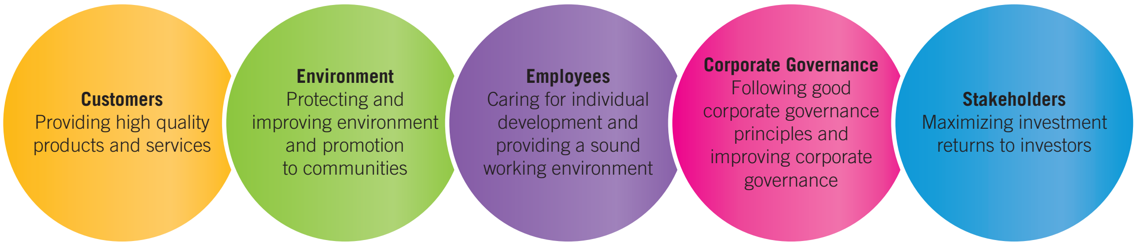
Details of the SIHL Scheme, SIHL New Scheme, SI Urban Development Scheme, SI Urban Development New Scheme and SI Environment Scheme are set out in note 39 to the financial statements.

By Order of the Board
Yee Foo Hei
Company Secretary

31 March 2016

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is principally engaged in the business of infrastructure facilities, real estate and consumer products, covering a wide spectrum of industries in different regions. Over the years, the Company has been striving to improve the economic return of its overall business. While pursuing its business objectives and maintaining its competitiveness in the market, the Company has attached great importance to enhance its ability in all areas in order to achieve sustainable development. The crucial factors for the success to achieve this goal rely on the steady growth of its business with effective allocation of resources, opportunities brought about by the social and environmental sectors, and caring for the interests of its stakeholders. As such, while striving for sustainable growth and future development, the Group is committed to promoting the five core values for the achievement of this:



2015 HIGHLIGHTS

- Large-scale integrated projects such as the Xuhui Binjiang, Xinzhuang metro superstructure project and the Shanghai Meilong project are built in accordance with the higher energy-saving design standards of the LEED green building gold awards, and the Longcheng project has already received the pre-certified gold award certificate.

- Golden Bell Plaza, a property management project, saved coal consumption of 209.2 tonnes of standard coal for the year through energy-saving upgrading of air conditioners and green lighting during the year, and received an award certificate of “Key Energy-saving Projects of Huangpu District, Shanghai in 2015”.

- A number of projects of the Group have incorporated environmental-friendly designs, with simple structures that do not require large amount of building materials and a certain percentage of recycling materials have been used.

- Building designs of the Group’s real estate projects are in compliance with national public building energy-saving regulations and local energy-saving rules which reduce emissions of greenhouse gas in the course of construction through lowering energy consumption of buildings.

- Energy management systems are installed to monitor real-time energy consumption in the production process. The results are analyzed to improve high energy-consumption processes, and such systems have been installed for workshop gas control, cooling and UV drying.

- For routine maintenance, the Group carries out four-levels of inspection according to ”Standards for maintenance of highways, culverts and bridges”; for major and medium maintenance, according to ”Inspection and assessment standards for the quality reviews of major and medium maintenance of highways”. Construction supervisors were engaged to conduct quality supervision during construction and final inspection upon completion. Joint inspections are organized by highway quality inspection stations in the final stage.

- The Group conducts tender in accordance with the “Management Measures for Bidding and Tenders”, subject to supervision and inspections of the Shanghai Bidding Office.

- A safety committee has been established to discuss safety and health matters on a regular basis and designated persons are assigned to coordinate, plan, organize, develop and promote safety and health.
- "Staff Training Management Measures" are adopted to put into practice staff management by different levels and categories, to highlight key areas of training, to raise the level of skills and professional expertise for respective positions, to advocate the need for self-improvement and to encourage employees to attain further education and training during their spare time.
- A "Study Reimbursement Scheme" has been set up to encourage employees to improve their quality and pursue professional expertise so as to enable them to improve their job knowledge and other related skills.
- Management staff is required to sign up agreements on integrity; and terms to prevent corruption are included in business contracts and engineering contacts.
- Member companies of the Group organize and conduct a series of public welfare activities and support poverty alleviation and aids for students, visit the elderlies, make donations and organize volunteer groups to provide services and employees are encouraged to participate and to carry out such social responsibilities through joining these activities.

ENVIRONMENTAL PROTECTION

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

Waste Gas and Waste Water Treatment

Waste gas discharged by the Group's consumer products business mainly comes from printing ink produced from printing factories, glue volatilization and gas released from the manufacture of cigarettes with smells of tobacco. In order to reduce the emission of waste gas, original boilers have been transformed into biomass boilers, and ultra-low-sulfur diesel has been adopted to reduce the emission of smoke, respirable suspended particulates and sulphur dioxide; waste gas from printing-ink and glue volatilization are gathered from exhaust pipes in the 10-meter high exhaust funnel and evacuated, and activated carbon is placed inside the pipes. Organic exhaust gas treatments are set up in printing workshops. Organic exhaust gas is treated through dry dust-removal and filter, activated carbon absorption and purification and catalytic combustion and regeneration process, and is discharged after inspection showing that it meets emission requirements. Waste gas from tobacco is discharged after the peculiar smell is removed with the de-odorizing machine and the exhaust rate is supervised all day long. Waste gas is collected at sewage treatment plants and biologically de-odorized. Ashes created from trash burning are purified through smoke dehydration reactor and with activated charcoal absorbent and bag dust filters, and are disposed of only after meeting standards of the examination authorities. Building designs of real estate projects are in compliance with national public building energy-saving regulations and local energy-saving rules and reduce emissions of greenhouse gas through lowering energy consumption of buildings.

Sewage treatment plants are responsible for removing harmful substances from urban domestic and industrial sewages through facilities to meet national emission standards. Toxic and non-toxic waste drainage in each sewage treatment plant is monitored real-time online in accordance with the requirements of the environmental protection authority. Harmful substances in the waste water are removed before they are discharged and only after they meet respective discharge standards. Other measures include: specifying water use quotas for domestic water and water used in the construction site of the real estate projects; establishing collection pools for raindrops or recycled water; using recycled water for washing machines, equipment and vehicles; adopting water saving systems and equipment for domestic water, dividing wastes and sewages, establishing collection pools for recycled water to make full use of waste water. Highly-efficient water-saving instruments are installed for projects adopting the national green building standards or LEED green building standards, and raindrop collection devices are designed for using raindrops in road washing and irrigation. Overall building water saving rate can reach 30% to 40%. For other enterprises, the high concentration sewage in the course of production, as well as used oil and kerosene are recycled by professional institutions recognized by the government.

Waste Treatment

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

As for dust control in construction sites, the Group strives to conduct hardening treatment to the surface soil in the construction environment, and cover the dust or spray water on them according to weather conditions while earth transporting vehicles with sealed covers are used. The Group also sets up washing pools for transportation vehicles to ensure that sands and dirt will not be taken out. Fine particles of construction materials that can easily fly around are tightly sealed, and the mixing equipment on the construction sites is equipped with dust-blocking devices. For projects designed in accordance with the LEED green building standards, construction wastes are managed and sewage recycling devices are set up. Construction debris is treated mainly through landfilling and recycling.

Use of Resources

Over the years, the Group's member companies have been observing the policies of green energy saving and low carbon emission, and promoted recycling use of materials, energy savings and wise use of water sources in the course of production. They are also committed to carbon reduction and waste emission having actively participated in green activities and created a paperless office. Certain member companies of the Group have established environmental hygiene management systems and environmental protection plans to specify the importance of environmental protection, educated and trained employees, and called for saving electricity and better utilization of resources, so that concerted efforts can be made to create an environment of saving and greening. Sewage treatment plants under the Group are responsible for processing urban sewage, removing harmful substances from waste water and significantly reducing pollutants in the water in surrounding areas and improving water quality, which has significant impacts for improving urban living environment and natural environment. For solid wastes treatment, urban domestic wastes are combusted to generate power and transferring wastes into useful resources.

Water supply facilities and sewage treatment plants are operated under reduced pumping pressure at low seasons of water supply or drainage. Equipment repair and maintenance are strengthened to enable them to achieve best performance and save electricity. Environmental pollution caused by property development include mainly site pollution, increased heat island in the city, energy consumption in transporting and using construction materials, consumption of construction materials, construction pollution and construction debris. In the course of the construction of real estate projects, the Group has abode to the management principles of environmental protection and energy conservation, which are carried through in the whole procedure such as construction planning, procurement of materials, on-site construction and project inspection, in which all the participating units are required to formulate corresponding environmental protection and energy saving management systems and measures. In new housing construction projects, the green ratio and energy saving designs all meet with government requirements. The green building projects are designed to reduce environmental pollution and consumption of resources during the life cycle of construction through a series of designs that save land, energy, water and materials.

During the year, the measures of the Group's member companies for utilization of resources include:

- Plants in Hong Kong have successively changed their T8 light tubes to T5 light tubes and adopted LED lights in hallways, generating positive energy-saving results. Electricity usage at non-peak hours was reduced. Average room temperate of offices was maintained at between 24˚C and 26˚C.

- Large-scale integrated projects such as the Xuhui Binjiang, Xinzhuang metro superstructure project and the Shanghai Meilong project are built in accordance with the higher energy-saving design standards of the LEED green building gold awards, and the Longcheng project has already received the pre-certified gold award certificate.

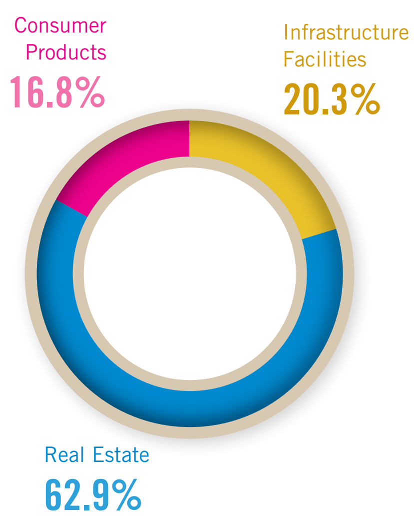
- Golden Bell Plaza, a property management project, saved coal consumption of 209.2 tonnes of standard coal for the year through energy-saving upgrading of air conditioners and green lighting during the year, and received an award certificate of "Key Energy-saving Projects of Huangpu District, Shanghai in 2015".

- A number of projects of the Group have incorporated environmentally-friendly designs, with simple structures which do not require large amount of building materials while a certain percentage of recycling materials have been used.
- Environmentally-friendly refrigerants (R134a, R407CR and 410A) which do no damages to ozonosphere were respectively adopted in plants in Hong Kong. Vehicles used include rechargeable oil-electricity mix environmentally-friendly vehicles which achieve zero discharge in the electronic mode.
- Recycling use of non-qualified products or offcuts produced in the course of production, and adding frequency conversion electric appliances and procuring energy saving lamps
- Selective non-catalytic ring original flue gas denitrification (SNCR) technology is adopted to remove highly concentrated nitrogen oxides from furnace ashes, resulting in reduction of nitrogen oxides discharged of over 90 tonnes annually.
- Energy management systems are installed to monitor real-time energy consumption in the production process. The results are analyzed to improve high energy-consumption processes, and such systems have been installed for workshop gas control, cooling and UV drying.
- Participating the recycling plan of suppliers to return unused office equipment to them for the purpose of recycling or reuse of waste, in order to achieve the target of "zero landfill" for reducing waste.

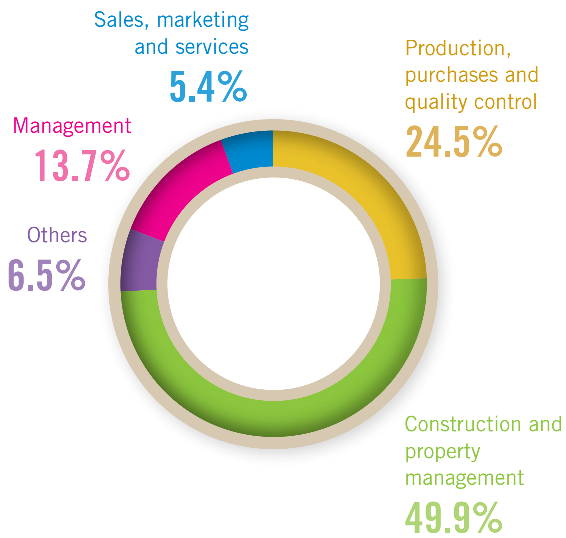
HUMAN RESOURCES

The Group has an outstanding team of employees who comply with various established working rules, codes of practice as well as principles and moral standards. The continued and due diligence efforts of the employees in taking up respective responsibilities are key driving forces behind the sustainable growth of the Group. The Group adopts a fair and just principle in implementing its human resources policies, including recruitment, position adjustment, remuneration adjustment and benefits, and no recruiting candidates are discriminated for their gender, age, race, religion or family status. As at 31 December 2015, the Group employed 14,097 employees (2014: 12,048), of whom the ratio of male to female employees was 63.5:36.5 (2014: 60.4:39.6).

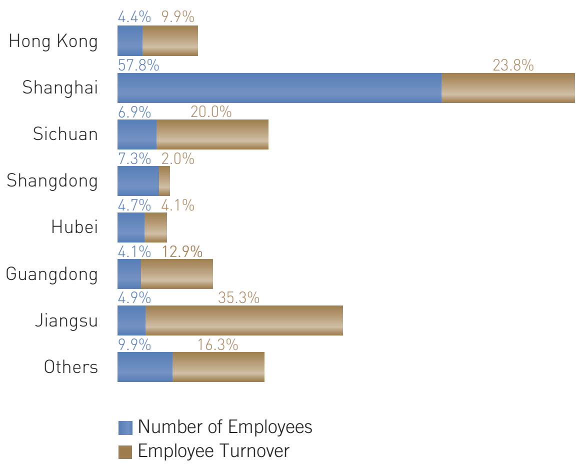
Total workforce by business segment



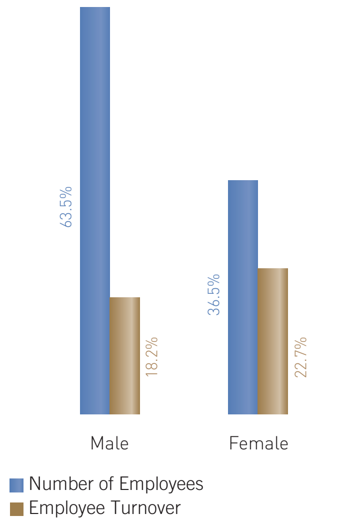
Total workforce by employment type



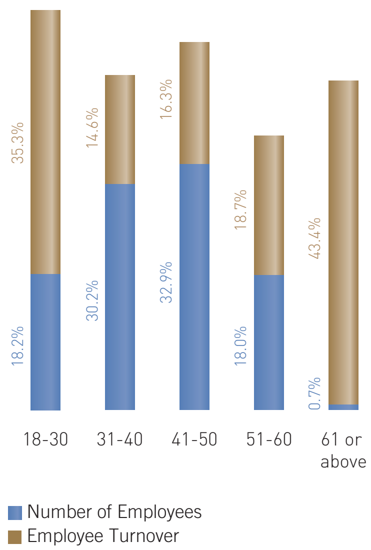
Total workforce and employee turnover rate by geographical region



Total workforce and employee turnover rate by gender



Total workforce and employee turnover rate by age group



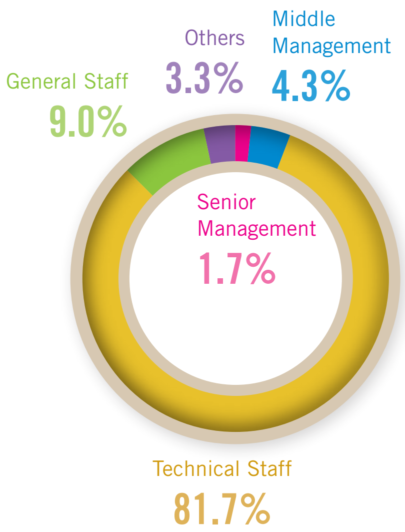
Employee Training and Development

With a strong commitment to employee relations and training, a number of activities for employees were held to enhance mutual trust and communication while promoting the exchange of knowledge among themselves. In addition, the Group also encouraged employees to continue their education in order to add value for themselves and enhance their quality of work so that they can make a better contribution to the Group. Certain member companies of the Group have established codes of conduct for employment to ensure equal opportunities to their employees, and adhere to anti-discrimination policies which have been included in their staff manuals. During the year, the Group continued to provide its employees with different training programs, including training for new employees, management training and professional training, covering induction courses, performance management, quality control, raw material monitoring, financial and tax management, laws and regulatory compliance, academic exchange and OSH training, etc.

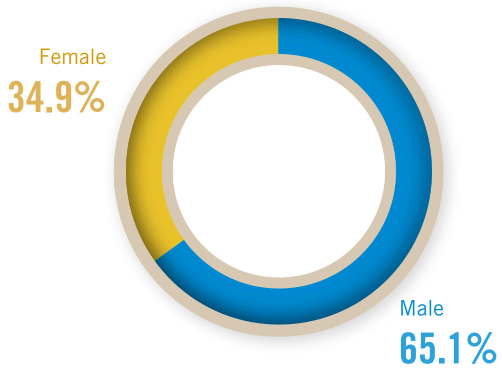
Most member companies of the Group have in place talent cultivation plans including:

- "Staff Training Management Measures" are adopted to put into practice staff management by different levels and categories, to highlight key areas of training, to raise the level of skills and professional expertise for respective positions, to advocate the need for self-improvement and to encourage employees to attain further education and training during their spare time.
- The following training programs are organized for different levels of employees: management training and overseas training for senior management; manager training, on-job training and talent training for middle management; and "Advocation Forum" among staff and the "Third Staff Activity Day" outward training for employees.
- "Job Objective Undertaking" is developed for employees, pursuant to which annual performance targets shall be met, in order to improve the capability of the employees.
- A "Study Reimbursement Scheme" has been set up to encourage employees to improve their quality and pursue professional expertise so as to enable them to improve their job knowledge and other related skills.
- Through "Staff Forums" and "Talent Development Plans", a relatively sound learning practice and training system has been developed within the enterprise to gradually promote all-rounded improvement of employees in professional expertise, management and cultural ability.
- Cultural activities, games and contests were held to enhance team spirits and provide a communication platform for learning and exchange of knowledge among the staff.

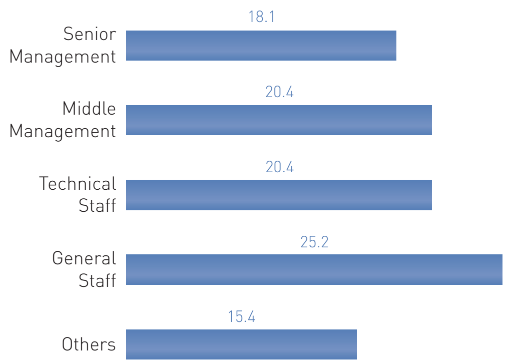
The percentage of employees trained by employee category



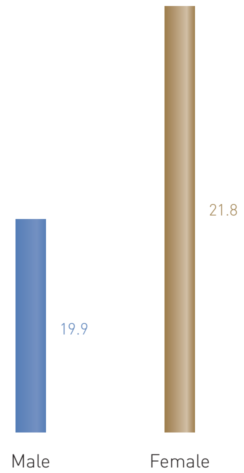
The percentage of employees trained by gender



The average training hours completed per employee by employee category



The average training hours completed per employee by gender



Remuneration and Welfare Policies

Through its performance appraisal mechanism, the Group carries out annual reviews in accordance with business performance, individual staff performance and industry average remuneration, in order to arrive at a reasonable and competitive compensation package for its employees. The Group adopts a principle of "determining remuneration based on respective positions". In line with economic growth and operational performance for the prevailing periods, the Group has continued to improve its remuneration and benefits system. Taking into account that sound performance management is the key to talent selection and remuneration management, the Group follows an objective, just, regulated and transparent performance system in the assessment of its employees.

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

HEALTH AND SAFETY AT WORK

Considerable concern is paid to the safety and hygienic aspects of the working environment of employees to foster a safe and healthy environment, to promote environmental management and to raise employees' awareness of safety and hygiene. Furthermore, we comply with such requirements as occupational and health as well as labor safety rules and regulations. Specific policies include education on occupational health and safety; identification of hazards and relevant promotions, training and assessment for employees; employees are required to wear labor protection gears and strictly comply with safety operation procedures; protection facilities are set up on production sites and sites of danger operation; protection gears are examined and replaced on a regular basis; safety warning signs are set up at production and work sites; designated personnel is responsible for monitoring dangerous operations; and annual health examinations are arranged for employees. The safety policies are also extended to contractors.

OSH measures adopted by member companies of the Group during the year include:

- A safety committee has been established to discuss safety and health matters on a regular basis and designated personnel is assigned to coordinate, plan, organize, develop and promote safety and health matters.

- Safety management policies are in place and continuously improved through reviews and examinations. Staff at all levels shall comply with the safety codes in addition to relevant regulations. The policies are revised and disseminated to employees on a regular basis.

- "OSH" training is provided to existing and new employees, covering "Safety Rules", "Fire Protection Inspection", "Chemical Safety", "Elevator Training" and "5-S Methods", to improve their ability to prevent and respond to hazards.

- The Group participated in training programs on new "Road Maintenance Safety Operation Procedures" provided by the Shanghai Road Administration Bureau. Production safety education programs are organized on a regular basis, including job training and induction training.

- "Hazard Identification Risk Control Assessment and Management System" are developed to identify, assess and manage hazards in the course of activities, products and provision of services.

- Disaster drills and safety inspections are arranged every year. On-site safety reviews and random inspections are conducted and safety rectification notices are issued; external inspection institutions for safety inspection and OHS lectures are arranged.

- Labor protection equipment and working suits are provided for special working positions, and strict observance of the safety measures by the operating personnel are required; maintenance records are kept for reference and equipment are regularly checked and replaced if necessary.

OPERATION MANAGEMENT

Supplier Management

The Group's member companies have separately established internal supplier management systems or material suppliers examination and management systems to ensure that the selection of suppliers and quality of materials meet with requirements and comply with regulations. Improved database has been established to make complete data, consummate formalities and legal procedures to jointly create a fair business environment with integrity and effectively control potential risks in the supply chains and reduce operating costs. The list of suppliers will be updated annually by assessing and assigning points to exiting suppliers and adding new suppliers that have passed examinations. Priority will be given to qualified suppliers in the list when project companies conduct procurements.

During bidding and tendering management for projects, the Group has strictly complied with relevant management measures and systems to conduct uniform reviews and analysis over the bidding documents. Some companies have implemented the supplier management system under the ISO9001:2008 quality management system. The Group reviews the qualifications and performance of suppliers on a regular basis and compares goods among suppliers. Certain enterprises make field visits to major suppliers, give ratings through re-inspection and choose qualified suppliers. The quality of goods is rated through trial procedures in accordance with Management Measures for Samples, and single supplier is avoided if applicable.

Product Responsibility

The Group is committed to providing customers with excellent goods and services, and practically improving the quality of products and services through professional production and service teams. With a proper customer relations management system, we can be better aware of customers' requirements, guarantee the information and privacy of consumers, and offer assistance and support required. Member companies of the Group has set up special departments that are in charge of handling customer complaints and conduct investigations and analysis on recycling of disqualified finished products and with respect to specific events. The results shall be passed to the production, quality control and sales departments for the adoption of corresponding measures. In line with its customer-focused philosophy and in response to issues raised by customers in their calls and visits, the Group actively communicates and coordinates with its customers to provide professional solutions to the satisfaction of its customers.

Meanwhile, the Group has established a complete intellectual property rights management system, which specifies that the ownership of research results of all research and development projects established and organized by it (including patented technology, new technology, new products, scientific results and technological advancement) shall vest with the Group. It also upholds and protects its own legal intellectual property rights through its legal department or external legal advisors, and has entered into confidentiality agreements with relevant personnel to bind them. Valuable trademarks and patents are applied for registration and registered intellectual property rights are managed in a good manner to cope with market development strategies of the enterprise and meet the demands for market competition. Technological advancement and contribution awards are given to technical personnel as encouragement for the research and development results they have attained. WeChat public accounts for projects on sale are implemented to provide functions including communication, acceptance of complaints, repair reporting and announcement of project progress.

Various quality management measures have been established for real estate projects to improve project quality management levels which are aimed to provide safe, comfortable and livable residence for consumers. The Group also conducts special periodical inspections on projects under construction, and organizes acceptance checking before delivery. During the year, some companies have established database for cases of project quality, improved handling methods for quality and conducted comprehensive post-assessment analysis over completed projects. In terms of the consumer products business, the Group has established inspection procedures and guidelines for all production processes, strictly conducted incoming, online and finished product inspections to ensure product quality. For routine maintenance of highways, the Group has conducted acceptance and inspection procedures according to the standards of highway maintenance; the construction units conduct quality inspections and joint completion checking in accordance with the quality inspection and assessment standards for the quality reviews of major and medium maintenance of highways. Our water supply and sewage treatment plants comply with the requirements of local sanitary supervision authorities; online water quality monitoring instruments are set up at the production end; raw water, treated water and pipe network water are monitored and inspected. Random checking and inspection of water samples are performed by relevant government authorities as well as our own laboratories on a regular and non-regular basis. The work on quality assurance by our member companies during the year include:

- For routine maintenance, the Group carries out four-levels of inspection according to "Standards for maintenance of highways, culverts and bridges"; for major and medium maintenance, according to "Inspection and assessment standards for the quality reviews of major and medium maintenance of highways". Construction supervisors were engaged to conduct quality supervision during construction and final inspection upon completion. Joint inspections are organized by highway quality inspection stations in the final stage.

- The Group conducts tender in accordance with Management Measures for Bidding and Tenders, subject to the supervision and inspection of the Shanghai Bidding Office.

- A working group responsible for specific tendering matters is established. It monitors candidates, tendering documents and the bid review and determination processes, and reviews the respective candidates in terms of their price, quality and after-sales services.

- Toll road enterprises accepted and handled complaints relating to toll roads in strict compliance with the Shanghai Road Administration Bureau Service Hotline Complaint and Handling Pilot System, and special departments are designated to reply to and follow up with complaints.

- Citizen's complaints and suggestions are collected through the website or hotline and these will be answered and resolved in a timely manner.

ANTI-CORRUPTION

All the Group's member companies attach great importance to the corporate culture of honesty and integrity to positively maintain our corporate image and benefits for the Group. During the year, the Group has further enhanced education of employees with respect to anti-corruption. In addition to specifying requirements on professional ethics for employees in the Employee Handbook, promotion and education programs on anti-corruption have also been conducted for all working units, and partners from supply chains are also required to conduct anti-corruption activities; For other companies, the responsibilities of the internal discipline committees have been specified and the investigations and handling of breach of disciplines and strengthened internal control management have been enhanced. In some cases, the management staff is required to sign up agreements on integrity to ensure such practice from top management through to junior employees, advocating integrity and severely penalizing breach of disciplines.

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

- Management are required to sign up agreements on integrity; and terms to prevent corruption are included in business contracts and engineering contracts.

- Rules for submitting cash and gifts received have been established to require all member companies to submit in full details all cash and presents received.

- For management, an integrity responsibility system and relevant assessment measures and accountability rules have been developed in order to prevent breach of laws, regulations and disciplines at the system level.

- Fraud whistleblowing policies which set out the scope of policy, behaviors constituting fraud, investigation responsibility, confidentiality and the procedures for investigation and reporting with authority are in place. Such policies have been uploaded to the company website. Each business unit is required to report to the Group on a quarterly basis on whether any fraud or whistleblowing matters are detected.

SOCIAL RESPONSIBILITIES

The Group plays an active part in charity and welfare activities and is committed to the fulfillment of social responsibilities, reciprocation to the society and promotion of its corporate image. Every year, member companies of the Group organize and conduct a series of public welfare activities and support poverty alleviation and aids for students, visit the elderlies, make donations and organize volunteer groups to offer community services while employees are encouraged to participate and carry out social responsibilities through joining these activities. During the year, public welfare activities in which member companies of the Group have participated, include:

- Participating in the "Love under the Blue Sky" donation in Jiangqiao Town and the "Citizen Sports Game of Jiangqiao Town" and sponsoring contests.

- Making certain disabled employment security contributions to municipal governments annually which helped to provide respective employments for the disabled.

- A "One Day Caring Donation" event was organized by the labor union to support impoverished students with good academic performance until their entrance into universities.

- Assisting in the construction of Lu'an Chengkai Hope Primary School since 1996 and organization of voluntary teaching on a yearly basis.

- Attending community activities, including planning for and participating in the “Return Cup Basketball Game for Chinese Enterprises in Hong Kong”, the “Carnival Celebration of 18th Anniversary of Hong Kong’s Return to China” and the “Seventh Session of Art Performance of Hong Kong Chinese Enterprises Association”.

- Lessons were provided jointly with Xuhui District Huishi Primary School and Minhang Xiehe Bilingual School and school supplies were donated to impoverished students.

- Gatherings were organized jointly with Sunshine Home and taking the students there to visit nature museums for learning and to suburb areas for hiking for appreciation of the nature.

- Provision of assistance to Huapiao Village, Chongming since 2007 and donations were made for upgrading infrastructure within the village.

- Winter clothing donation events were carried out under the theme of “We are together • Because of love” for people in impoverished areas.

- Conveying love and care for teachers and students at Jiangshangqing Primary School through donation of funds and supplies, and provision of funds for renovation of the roof, rooms and passages of the student dormitory.

- Visiting Hezhong Village, Miao Township, Chongming to provide villagers with financial difficulties with subsidies and gifts; and conducting community care and tree planting activities.

By order of the Board
Yee Foo Hei
Company Secretary

31 March 2016

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. WANG Wei *Executive Director, Chairman*

(Appointed on 25 June 2013 ~ Present)

Mr. Wang, aged 61, is the chairman of Shanghai Industrial Investment (Holdings) Company Limited. He holds a college degree and is designated a senior policy advisor. Mr. Wang was division head of the Shanghai Electrical and Mechanical Bureau, head of the grass-roots unit division of the Metallurgical Mining Machinery Co. under the Shanghai Electrical and Mechanical Bureau, general manager of Shanghai Mechanical Engineering Integrated Plant Co., deputy director and director of the Shanghai Civil Affairs Bureau, chairman of Shanghai Agricultural, Industrial and Commercial (Group) Corp. (now as Bright Food (Group) Corporation Ltd.), deputy chief of the General Office of the Shanghai Municipal Government, a full-time deputy secretary-general of the executive committee of 2007 Special Olympics World Summer Games and deputy secretary-general of the Shanghai Municipal Government. He has extensive experience in the leadership role in government authorities and in corporate operation and management.

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

(Appointed on 5 January 2002 ~ 18 January 2004
Re-appointed on 19 November 2007 ~ Present)

Mr. Zhou, aged 48, is an executive director and the president of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), the chairman of Nanyang Brothers Tobacco Company, Limited, a director of The Wing Fat Printing Company, Limited and certain other subsidiaries of the Group. Mr. Zhou graduated from Shanghai Jiaotong University with a master's degree in management science and engineering. He is a non-executive director of Shanghai Pharmaceuticals Holdings Co., Ltd. and Semiconductor Manufacturing International Corporation. He was the deputy general manager of the investment banking head office of Shanghai Wanquo Holdings Ltd. (now Shenyin & Wanguo Securities Co., Ltd.). He joined SIIC in May 1996 and had held the positions of the chairman and general manager of Shanghai S.I. Capital Co., Ltd. He has over 20 years' experience in corporate management, investment banking and capital markets operation.

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

(Appointed on 19 January 2004 ~ 19 December 2005
Re-appointed on 25 April 2012 ~ Present)

Mr. Lu, aged 59, is an executive director and the executive vice president of Shanghai Industrial Investment (Holdings) Company Limited, the chairman of Shanghai Industrial Development Co., Ltd. ("SI Development") and a director of certain other subsidiaries of the Group. Mr. Lu joined the Group as an executive director of SIIC Medical Science and Technology (Group) Limited in September 2003. He graduated from Shanghai Technology University with a bachelor's degree in wireless engineering and obtained a master's degree in business administration from Shanghai Jiaotong University, and is designated a senior economist. Mr. Lu was the chairman of Shanghai City Hotel, a director and deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., a director and general manager of Shanghai Industrial United Holdings Co., Ltd., the chairman of Shanghai Far East International Bridge Construction Co., Ltd. and the vice chairman and president of SI Development. He has extensive working experience in corporate management.

Mr. ZHOU Jun *Executive Director, Deputy CEO*

(Appointed on 15 April 2009 ~ Present)

Mr. Zhou, aged 47, is an executive director and a vice president of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He is also the executive chairman of SIIC Environment Holdings Ltd., the chairman of SIIC Management (Shanghai) Ltd., Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Shen-Yu Development Co., Ltd. and an executive director of Shanghai Industrial Urban Development Group Limited and certain other subsidiaries of the Group. He is also an independent nonexecutive director of Zhejiang Expressway Co., Ltd. He graduated from Nanjing University and Fudan University with a bachelor's and a master's degree in economics (international finance), and is designated an economist. He was appointed as a Deputy CEO of the Company in December 2005 and currently is the chairman of Shanghai Galaxy Investments Co., Ltd. ("Shanghai Galaxy"). He worked for Guotai Securities Co., Ltd. (now Guotai Junan Securities Co.) before joining SIIC in April 1996. The management positions he had held within the SIIC group of companies were deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., deputy general manager of Shanghai United Industrial Co., Ltd., director and general manager of Shanghai Galaxy and general manager of the strategic investment department of SIIC. Mr. Zhou is currently a member of the executive committee of the Chinese People's Political Consultative Conference in Shanghai and the chairman of Shanghai Shengtai Investment and Management Limited under Shanghai Charity Foundation. He has over 20 years' professional experience in mergers and acquisitions, securities, finance, real estate, project planning and corporate management.

Mr. XU Bo *Executive Director, Deputy CEO*

(Appointed on 28 December 2012 ~ Present)

Mr. Xu, aged 53, is a vice president, the chief financial controller and the general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Company Limited, a director of Nanyang Brothers Tobacco Company, Limited, and certain other subsidiaries of the Group. He holds a bachelor's degree and a master's degree in business administration and is designated a deputy professor. Mr. Xu was an executive deputy officer of the accounting department of Shanghai Lixin University of Commerce, a deputy general manager and chief financial officer of Shanghai Hualian Co., Ltd., an executive director, deputy general manager and chief financial officer of Shanghai Bailian Group Co., Ltd., a vice president of Bailian Group Co., Ltd. and a non-executive director of Lianhua Supermarket Holdings Co., Ltd. He has over 20 years' experience in finance and corporate management.

Independent Non-Executive Directors

Dr. LO Ka Shui *Independent Non-Executive Director*

(Appointed on 15 March 1996 ~ Present)

Dr. Lo, aged 69, is the Chairman and Managing Director of Great Eagle Holdings Limited, the Chairman and Non-executive Director of the Manager of the publicly listed trusts, Champion Real Estate Investment Trust and Langham Hospitality Investments. He is an Independent Non-executive Director of Phoenix Satellite Television Holdings Limited, China Mobile Limited and City e-Solutions Limited, all of which are companies whose shares are listed on the Hong Kong Stock Exchange. Dr. Lo is also a Vice President of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority and a Vice Chairman of The Chamber of Hong Kong Listed Companies. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has over three decades of experience in property and hotel development and investment both in Hong Kong and overseas.

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

(Appointed on 15 March 1996 ~ Present)

Prof. Woo, aged 78, is Senior Advisor of Shui On Holdings Limited and President Emeritus of the Hong Kong University of Science and Technology. In addition, Prof. Woo is currently an independent non-executive director of First Shanghai Investments Limited, a Hong Kong listed company.

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

(Appointed on 15 March 1996 ~ Present)

Mr. Leung, aged 61, has over 30 years of experience in corporate finance involving in capital raisings, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general corporate finance advisory activities in Hong Kong and China. He is a member of the 12th National Committee of the Chinese People's Political Consultative Conference and the chairman of The Chamber of Hong Kong Listed Companies. In 1980, he graduated with a master's degree in business administration from University of Toronto, Canada.

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

(Appointed on 13 November 2012 ~ Present)

Mr. Cheng, aged 67, is the adviser to the group chief executive of HSBC Holdings plc and is also an independent non-executive director of Great Eagle Holdings Limited, MTR Corporation Limited, Hui Xian Asset Management Limited (manager of the publicly listed Hui Xian Real Estate Investment Trust), CLP Holdings Limited, China Minsheng Banking Corp., Ltd., Wing Tai Properties Limited and CK Hutchison Holdings Limited. He is the former chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Limited. Mr. Cheng is a member of the Advisory Committee on Post-service Employment of Civil Servants and a vice patron of Community Chest of Hong Kong. He is also a senior advisor to the Beijing Municipal Committee of the National Committee of the Chinese People's Political Consultative Conference ("CPPCC") and was a member of the National Committee of CPPCC. He was conferred the doctoral degree of social science, honoris causa, by The Chinese University of Hong Kong and the doctoral degree of business administration, honoris causa, by The Open University. Mr. Cheng also holds a bachelor of social science degree in economics from The Chinese University of Hong Kong and a master of philosophy degree in economics from The University of Auckland, New Zealand.

SENIOR MANAGEMENT

Mr. LI Han Sheng

Mr. Li, aged 52, was appointed a Deputy CEO of the Company in April 2012. He is also a general manager of human resources department of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He graduated from East China University of Science and Technology, Shanghai Technology University and Murdoch University with a bachelor's degree of science in engineering, a master's degree in computer science and a master's degree in business administration, and is designated a senior engineer. He was an officer of the information centre of Shanghai Wugang Holdings Ltd. engaged in enterprise management and information technology. He joined SIIC in September 1999, and was a director, the assistant general manager of operations management and cooperation department, deputy general manager of the administration department and secretary to chairman. He was also the head of the information technology department of the Company. He has more than 20 years' experience of corporate management and information technology.

Mr. FENG Jun

Mr. Feng, aged 52, was appointed an Assistant CEO and the Chief Investment Officer of the Company in June 2013. He is also an executive director of SIIC Environment Holdings Ltd. and a director of Nanyang Brothers Tobacco Company, Limited. He graduated from the Economics and Management School of Wuhan University and obtained a master's degree in economics. Mr. Fung was a deputy manager of trust department of Shanghai International Trust Co., a director and vice president of SIIC Investment Company Limited and a director and deputy general manager of The Tien Chu (Hong Kong) Company Limited. He has over 28 years' experience in capital markets operation.

PROFESSIONAL STAFF

Mr. YEE Foo Hei, Jackson

Mr. Yee, aged 52, joined the Company in September 2010. He is the Company Secretary and the Chief Legal and Compliance Officer of the Company. He graduated from City Polytechnic of Hong Kong (now City University of Hong Kong) and University of Wolverhampton, UK with a professional diploma in company secretaryship and administration and a LLB degree respectively. Mr. Yee is a fellow member of The Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries & Administrators and The Association of Chartered Certified Accountants. Mr. Yee has more than 20 years' practical company secretarial experience in international accountancy firm, multi-national conglomerate and large-scale PRC stated-owned enterprise.

Ms. CHAN Yat Ying, Cherie

Ms. Chan, aged 48, joined the Company in November 1996. She is the Chief Financial Officer and an Assistant CEO of the Company and a director of certain other subsidiaries of the Group. Ms. Chan is also a deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Company Limited and a member of the supervisory committee of Shanghai Industrial Development Co., Ltd. She graduated from University of Hong Kong with a bachelor's degree in social sciences. She also holds a master's degree in financial management awarded by the University of London. Ms. Chan is a member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Chinese Institute of Certified Public Accountants. She has extensive working experience in banking and accounting professions.

SENIOR MANAGEMENT OF MEMBER COMPANIES

Mr. JI Gang

Mr. Ji, aged 58, is a director of Shanghai Industrial Investment (Holdings) Company Limited, the chairman and president of Shanghai Industrial Urban Development Group Limited and a director of certain other subsidiaries of the Group. He graduated from Fudan University with a master's degree in economics and is designated a senior economist. Mr. Ji was the vice chairman and president of Shanghai Industrial Development Co., Ltd., the general manager of Zhongya Hotel, the chairman and general manager of Shanghai Everbright City Services Co., Ltd., an officer of the Commercial Committee and Economic Committee of the Municipal People's Government of Zhabei District, Shanghai, a vice president of SIIC Dongtan Investment & Development (Holdings) Co., Ltd., the president of Shanghai SIIC Urban Development Investment Co., Ltd. and an executive director and the president of SIIC Investment Co., Ltd. etc. He has over 38 years' experience in corporate management.

Mr. TANG Jun

Mr. Tang, aged 48, is a director and president of Shanghai Industrial Development Co., Ltd. and a director of certain other subsidiaries of the Group. He graduated from University of South Australia with a master's degree in business administration and holds the designation of a senior auditor, and is an associate of The Chinese Institute of Certified Public Accountants. Mr. Tang was an Executive Director of the Company, the general manager of the internal audit department and deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Company Limited and the Deputy Director of the Foreign Funds Utilization Audit Department, Shanghai Municipal Audit Office, and has over 20 years' practical experience in the fields of auditing and finance.

Mr. XU Xiao Bing

Mr. Xu, aged 49, is an executive director of SIIC Environment Holdings Ltd., a director and the general manager of SIIC Management (Shanghai) Ltd. ("SIIC Management"), the vice chairman of General Water of China Co., Ltd., a director of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Shen-Yu Development Co., Ltd. and the chief representative of Shanghai Representative Office of the Company. Mr. Xu graduated from Peking University with a master's degree in business administration. He was an investment and financial analyst of Beijing Jingfang Investment Management & Consultant Co., Ltd. under the Beijing Capital Group, and the deputy head of the investment planning department, the head of the enterprise management department and the deputy general manager of SIIC Management. He has over 20 years' experience in corporate management and investment planning.

Mr. XU Zhan

Mr. Xu, aged 46, an executive director of SIIC Environment Holdings Ltd. He graduated from Shanghai Jiaotong University and BI Norwegian School of Management with a bachelor's degree in engineering and a master's degree in management studies, and is a fellow member of The Association of Chartered Certified Accountants. Mr. Xu was assistant general manager of Shanghai Galaxy Investment Co., Ltd. ("Shanghai Galaxy"), assistant general manager of finance & planning department of Shanghai Industrial Investment (Holdings) Company Limited. He is currently the managing director of Shanghai Galaxy, chairman and general manager of SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd., Mr. Xu has several years' experience in finance and investment financing.

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

Mr. YANG Zhang Min

Mr. Yang, aged 53, is an executive director of SIIC Environment Holdings Ltd. Mr. Yang graduated from Tongji University with a bachelor's degree in environmental engineering and the School of Economic and Management of Tsinghua University with a master's degree in EMBA. He was the general manager of Shenzhen Longgang Baolong Industrial Co. and the chairman and general manager of Shenzhen Longgang Guotong Industrial Co., Ltd. He was the founder of United Environment Co. in the year 2003 and had been the chairman and general manager for years. He has over 20 years' experience in operation and management of water and environmental protection investment as well as project and administrative management.

Mr. DAI Wei Wei

Mr. Dai, aged 47, is a director and the general manager of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. and Shanghai Shen-Yu Development Co., Ltd. as well as a director of Shanghai Luqiao Development Co., Ltd. Mr. Dai graduated from Shanghai Tongji University and Fudan University and obtained a bachelor's degree in engineering and a master's degree in business administration respectively. He worked in Shanghai Mass Transit Railway Corporation, Shanghai Municipal Engineering Administration, Shanghai Jiajin Highway Development Co., Ltd. and SIIC Management (Shanghai) Ltd. He has over 20 years' experience in construction and management of infrastructure.

Mr. CHEN Wei Yi

Mr. Chen, aged 55, is a director and the general manager of Shanghai Luqiao Development Co., Ltd., a director of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. and Shanghai Shen-Yu Development Co., Ltd. Mr. Chen graduated from The People's Liberation Army of Institute of Electronic Engineering majored in radar engineering and obtained a bachelor's degree of science in engineering, and is designated a senior engineer. He was the deputy general manager of Shanghai Huang Pu River Tunnel and Bridges Development Co., Ltd. and the general manager of Shanghai CITIC Tunnel Development Co., Ltd. He has extensive experience in operation management and maintenance of bridge, tunnel and highway.

Mr. QIAN Yi

Mr. Qian, aged 62, is the vice chairman and the general manager of Nanyang Brothers Tobacco Company, Limited. He graduated from Fudan University with a bachelor's degree in enterprise management and obtained a master's degree in business administration from East China Normal University. He holds the designation of senior economist. Mr. Qian was an Executive Director and a Deputy CEO of the Company, the vice chairman and the executive president of Shanghai Sunway Biotech Co., Ltd., deputy head of Shanghai Boiler Works Ltd., deputy chief economist of Shanghai Electric (Group) Corp. and the head of Shanghai Heavy Machinery Plant. He has extensive experience in enterprise management.

Mr. XU Guo Xiong

Mr. Xu, aged 59, is the chairman and chief executive officer of The Wing Fat Printing Company, Limited and the chairman of The Wing Fat Printing (Hong Kong) Limited and Wingfat (Dongguan) Printing Co., Ltd.. He is also a vice president of China Packaging Federation. Mr. Xu graduated from Shanghai Normal University majored in Chinese language and literature and Asia International Open University (Macau) with a master's degree in business administration, and is designated a senior policy advisor. He was the president and executive director of the Shanghai Pharmaceuticals Holdings Co., Ltd., an executive director and vice president of Shanghai Pharmaceutical (Group) Co., Ltd., the general manager's assistant and deputy general manager of Shanghai Bicycle Group Co., Ltd, the general manager of the department of industry and the president's assistant of China Hua Yuan Group Co., Ltd, the vice chairman and general manager of Hua Yuan Kai Ma Machinery Co., Ltd., the vice chairman of the China Pharmaceutical Industry Research and Development Association and the vice chairman of China Pharmaceutical Industry Association. He has extensive experience in the decision-making and operations management in large enterprises.

Mr. JIN Guo Ming

Mr. Jin, aged 55, is a director and the general manager of The Wing Fat Printing Company, Limited. He graduated from Zhejiang Institute of Metallurgy Economic and obtained a master's degree in business management from South Australia University. He holds the designation of international business engineer. Mr. Jin has over 30 years of experience in the printing and packaging industry.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

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

PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the principal subsidiaries, joint ventures and associates as at 31 December 2015 are set out in notes 50, 51 and 52 to the consolidated financial statements respectively.

BUSINESS REVIEW

A fair review of the Group's business including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, is set out in the section of "Business Review, Discussion and Analysis" set out on pages 12 to 30 of this Annual Report.

Disclosures relating to the Group's environmental policies and performance, and compliance with relevant laws and regulations which have a significant impact on the Group, as well as its relationships with its major stakeholders are included in the "Corporate Governance Report" and "Environmental, Social and Governance Report" on pages 38 to 48 and pages 49 to 59 respectively of this Annual Report.

Such discussion forms part of this Directors' Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 and the Group's financial position at 31 December 2015 are set out in the Group's consolidated financial statements on pages 75 to 78 of this Annual Report.

An interim dividend of HK36 cents per share amounting to HK$390,906,000 was paid to the shareholders during the year. The Directors recommend the payment of a final dividend of HK45 cents per share to the shareholders whose names appear on the register of members of the Company on 6 June 2016.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the year ended 31 December 2015 and the previous four years is set out on page 196 of this Annual Report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 38 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2015 comprised of retained profits of approximately HK$14,013,000,000 (2014: HK$13,151,000,000).

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Wang Wei *(Chairman)*
Zhou Jie *(Vice Chairman & Chief Executive Officer)*
Lu Shen *(Executive Deputy CEO)*
Zhou Jun *(Deputy CEO)*
Xu Bo *(Deputy CEO)*
Ni Jian Da *(Deputy CEO)* (resigned on 2 February 2015)

Independent Non-Executive Directors

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

Mr. Ni Jian Da has resigned as an Executive Director and a Deputy CEO of the Company with effective from 2 February 2015 for reason of pursuing his personal career development.

The biographical details of the Directors are set out on pages 60 to 62 of this Annual Report. Details of Directors' emoluments are set out in note 13 to the consolidated financial statements.

In accordance with the Company's articles of association, the Directors of the Company (including the Independent Non-Executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Zhou Jie, Mr. Zhou Jun and Mr. Cheng Hoi Chuen, Vincent shall retire by rotation at the forthcoming annual general meeting. All of them, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS OF THE SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2015 or during the period from 1 January 2016 to the date of this report are available on the website of the Company.

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2015 and up to the date of this report, the Company has in force permitted indemnity provisions for the benefit of the directors of the Company (including former directors) or of its associated companies.

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

Changes in Directors' information since the date of the interim report 2015 up to the date of this report are set out below:

Mr. Zhou Jun
- appointed as a a member of the executive committee of the Chinese People's Political Consultative Conference in Shanghai on 27 January 2016.

Mr. Leung Pak To, Francis
- appointed as the chairman of Imagi International Holdings Limited ("Imagi International") on 26 December 2015.
- resigned as the chairman and a non-executive director of Imagi International on 23 February 2016.

Mr. Cheng Hoi Chuen, Vincent
- resigned as the chairman of the Council of The Chinese University of Hong Kong on 23 October 2015.

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

At 31 December 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Name of Director	Capacity	Nature of interests	Number of issued ordinary shares held	Number of outstanding share options (Note 2)	Total	Approximate percentage of the issued share capital
Zhou Jie	Beneficial owner	Personal	330,000	680,000	1,010,000	0.09%
Lu Shen	Beneficial owner	Personal	–	600,000	600,000	0.06%
Zhou Jun	Beneficial owner	Personal	195,000	600,000	795,000	0.07%
Xu Bo	Beneficial owner	Personal	–	600,000	600,000	0.06%
Lo Ka Shui	Beneficial owner	Personal	766,650	96,000	862,650	0.08%
Woo Chia-Wei	Beneficial owner	Personal	–	96,000	96,000	0.009%
Leung Pak To, Francis	Beneficial owner	Personal	–	96,000	96,000	0.009%

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

(II) Interests in shares and underlying shares of associated corporations

SI Urban Development

Name of Director	Capacity	Nature of interests	Number of outstanding share options (Note 2)	Approximate percentage of the issued share capital
Zhou Jun	Beneficial owner	Personal	7,000,000	0.15%

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

Shanghai Pharmaceuticals

Name of Director	Class of shares	Capacity	Nature of interests	Number of outstanding shares held	Approximate percentage of the issued share capital
Lu Shen	A share	Beneficial owner	Personal	6,440	0.0003%
Lo Ka Shui	H share	Founder of a discretionary trust	Other	4,000,000	0.52%

Note: All interests stated above represent long positions.

Save as disclosed above, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2015.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

Share Options

Particulars of the share option schemes adopted by the Group are set out in note 39 to the consolidated financial statements.

(I) SIHL Scheme

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

			Number of shares issuable under the share options					
	Date of grant	Exercise price per share HK$	Outstanding at 1.1.2015	Exercised during the year	Reclassified during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31.12.2015
Category 1: Directors								
Zhou Jie	2.11.2010	36.60	850,000	–	–	–	(850,000)	–
	20.9.2011	22.71	680,000	–	–	–	–	680,000
Lu Shen	2.11.2010	36.60	750,000	–	–	–	(750,000)	–
	20.9.2011	22.71	600,000	–	–	–	–	600,000
Zhou Jun	2.11.2010	36.60	750,000	–	–	–	(750,000)	–
	20.9.2011	22.71	600,000	–	–	–	–	600,000
Xu Bo	16.5.2012	23.69	600,000	–	–	–	–	600,000
Lo Ka Shui	2.11.2010	36.60	120,000	–	–	–	(120,000)	–
	20.9.2011	22.71	96,000	–	–	–	–	96,000
Woo Chia-Wei	2.11.2010	36.60	120,000	–	–	–	(120,000)	–
	20.9.2011	22.71	96,000	–	–	–	–	96,000
Leung Pak To, Francis	2.11.2010	36.60	120,000	–	–	–	(120,000)	–
	20.9.2011	22.71	96,000	–	–	–	–	96,000
Total			**5,478,000**	**–**	**–**	**–**	**(2,710,000)**	**2,768,000**
Category 2: Employees								
	2.11.2010	36.60	9,920,000	–	(240,000)	–	(9,680,000)	–
	20.9.2011	22.71	9,220,000	(1,454,000)	(120,000)	(150,000)	–	7,496,000
	16.5.2012	23.69	544,000	(4,000)	–	–	–	540,000
Total			**19,684,000**	**(1,458,000)**	**(360,000)**	**(150,000)**	**(9,680,000)**	**8,036,000**

	Date of grant	Exercise price per share HK$	Number of shares issuable under the share options: Outstanding at 1.1.2015	Exercised during the year	Reclassified during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31.12.2015
Category 3: Others								
	2.11.2010	36.60	11,320,000	–	240,000	–	(11,560,000)	–
	20.9.2011	22.71	5,845,000	(2,128,000)	120,000	–	–	3,837,000
Total			**17,165,000**	**(2,128,000)**	**360,000**	**–**	**(11,560,000)**	**3,837,000**
Total for all categories			**42,327,000**	**(3,586,000)**	**–**	**(150,000)**	**(23,950,000)**	**14,641,000**

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

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

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

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

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

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

During the year, the weighted average closing price of the Company's shares immediately before the respective dates on which the share options were exercised is HK$29.43.

(II) SIHL New Scheme

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

(III) SI Urban Development Scheme

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

	Date of grant	Exercise price per share HK$	Number of shares issuable under the share options: Outstanding at 1.1.2015	Cancelled during the year	Outstanding at 31.12.2015
Category 1: Directors of SI Urban Development, who are also Directors of the Company					
Zhou Jun	24.9.2010	2.98	7,000,000	–	7,000,000
Ni Jian Da (Note)	24.9.2010	2.98	8,000,000	(8,000,000)	–
			15,000,000	(8,000,000)	7,000,000
Category 2: Other directors of SI Urban Development	24.9.2010	2.98	23,000,000	–	23,000,000
Category 3: Employees of SI Urban Development	24.9.2010	2.98	12,750,000	–	12,750,000
Category 4: Others	24.9.2010	2.98	7,000,000	(7,000,000)	–
Total for all categories			**57,750,000**	**(15,000,000)**	**42,750,000**

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

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

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

(IV) SI Urban Development New Scheme

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

(V) SI Environment Scheme

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

Convertible Bonds

Particulars of the convertible bonds issued, repurchased and redeemed by the Group are set out in note 37 to the consolidated financial statements.

Tong Jie Limited, a wholly owned subsidiary of the Company, issued zero coupon convertible bonds with a principal amount of HK$3,900,000,000 (the "Convertible Bonds") to public investors in February 2013. Unless early redeemed, the Convertible Bonds will be redeemed at 105.11% of the principal amount on 18 February 2018. The bonds are guaranteed by the Company and listed on the Stock Exchange.

The proceeds from the Convertible Bonds have been used to fund investments in infrastructure facilities business, fixed assets investment in consumer products business and for general working capital purpose of the Group, which included the use on the subscription by the Company of 1,250,000,000 placement shares of SI Environment (a Singapore listed subsidiary of the Company) in 2014.

During the year, the Company repurchased part of the Convertible Bonds with a principal amount of HK$323,000,000 at a consideration of HK$329,315,000. Subsequently, on 18 February 2016, certain bondholders exercised their redemption option and the Company redeemed and cancelled a principal amount of HK$3,437,000,000 of the Convertible Bonds, representing approximately 88.13% of the initial principal amount of the bonds, for a consideration of HK$3,541,408,000, in accordance with the terms and conditions of the Convertible Bonds.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY

Save as disclosed under the section "Share Options" above, neither the Company or a specified undertaking (within the meaning of the Companies Ordinance) of the Company was a party to any other arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during or at the end of the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts that are significant in relation to the Group's business, to which the Company or a specified undertaking (within the meaning of the Companies Ordinance) of the Company was a party and in which a person who at any time in the year was a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the interests and short positions of the substantial shareholders of the Company and other persons, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name of shareholder	Capacity	Nature of interests	Number of issued ordinary shares beneficially held	Approximate percentage of the issued share capital
SIIC	Interests held by controlled corporations	Corporate	629,288,748 (Notes 1 & 2)	57.95%

Notes:

1. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, SIIC Trading Company Limited, SIIC CM Development Funds Limited, The Tien Chu Ve Tsin (Hong Kong) Company Limited, South Pacific International Trading Limited, Billion More Investments Limited, South Pacific Hotel Limited, SIIC Treasury (B.V.I.) Limited, and SIIC CM Development Limited held 519,409,748 shares, 80,000,000 shares, 13,685,000 shares, 6,506,000 shares, 3,005,000 shares, 2,430,000 shares, 1,479,000 shares, 1,219,000 shares, 816,000 shares, 729,000 shares and 10,000 shares of the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforementioned companies.

2. All interests stated above represent long positions.

Save as disclosed above, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2015.

CONNECTED TRANSACTIONS

Details of the connected transactions and continuing connected transactions for the year are set out in note 47(I) to the consolidated financial statements. Save as disclosed therein, there were no other connected transactions and continuing connected transactions, other than those which are exempt from the reporting, announcement and independent shareholders' approval requirements, which need to be disclosed as connected transactions and continuing connected transactions in accordance with the requirements of Appendix 16 to the Listing Rules.

Pursuant to Rule 14A.56 of the Listing Rules, the Directors engaged the auditor of the Company to report on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year are set out in note 47(II) to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

During the year, the Company repurchased certain of its own shares and convertible bonds through the Stock Exchange, details of which are set out in notes 38 and 37 to the consolidated financial statements respectively. The directors considered that, as the Company's shares and convertible bonds were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$3,893,000.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 46 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this Annual Report, based on publicly available information and within the knowledge of the Directors of the Company, 41.64% of the issued share capital of the Company is held by the public.

The Company has maintained a sufficient public float throughout the year ended 31 December 2015.

CORPORATE GOVERNANCE

The corporate governance principles and practices adopted by the Company are set out in the Corporate Governance Report on pages 38 to 48 of this Annual Report.

AUDITOR

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

On behalf of the Board

Wang Wei
Chairman

Hong Kong, 31 March 2016

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED
上海實業控股有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 75 to 195, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, 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 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	**2015 HK$'000**	2014 HK$'000 (restated)
Revenue	6	19,693,682	21,333,017
Cost of sales		(12,432,790)	(13,488,274)
Gross profit		7,260,892	7,844,743
Net investment income	7	998,087	813,790
Other income, gains and losses		(103,510)	576,448
Selling and distribution costs		(892,956)	(837,647)
Administrative and other expenses		(1,792,482)	(1,920,515)
Finance costs	8	(1,613,526)	(1,362,267)
Share of results of joint ventures		178,208	165,508
Share of results of associates		23,174	33,946
Gain on disposal of the Feng Qi Group		–	1,716,165
Net gain on disposal of interests in other subsidiaries and an associate/deemed partial disposal of interest in a joint venture	9	1,648,502	302,311
Impairment loss on available-for-sale investments	10	–	(342,427)
Profit before taxation		5,706,389	6,990,055
Income tax expense	11	(2,071,025)	(2,632,812)
Profit for the year	12	3,635,364	4,357,243
Profit for the year attributable to			
– Owners of the Company		2,770,168	3,096,256
– Non-controlling interests		865,196	1,260,987
		3,635,364	4,357,243
		HK$	HK$ (restated)
Earnings per share	15		
– Basic		2.553	2.860
– Diluted		2.452	2.657

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000 (restated)
Profit for the year	3,635,364	4,357,243
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
– subsidiaries	(1,928,881)	(1,252,292)
– joint ventures	(139,336)	(85,222)
– associates	(161,519)	(58,502)
Fair value change on available-for-sale investments held by		
– subsidiaries	183,750	286,975
– a joint venture	–	22,737
Impairment loss on available-for-sale investments	–	23,775
Reclassification on disposal of available-for-sale investments	(26,020)	(2,633)
Reclassification of translation reserve upon disposal/ deemed partial disposal of		
– the Feng Qi Group	–	(1,256)
– interests in other subsidiaries	1,965	(984)
– interest in a joint venture	–	(10,308)
Other comprehensive expense for the year	(2,070,041)	(1,077,710)
Total comprehensive income for the year	1,565,323	3,279,533
Total comprehensive income for the year attributable to		
– Owners of the Company	1,535,904	2,382,635
– Non-controlling interests	29,419	896,898
	1,565,323	3,279,533

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015 HK$'000**	2014 HK$'000 (restated)
Non-Current Assets			
Investment properties	16	15,362,596	15,979,200
Property, plant and equipment	17	4,312,097	4,661,883
Prepaid lease payments – non-current portion	18	262,995	283,248
Toll road operating rights	19	11,319,899	12,633,146
Goodwill	20	572,855	–
Other intangible assets	21	3,918,690	1,964,974
Interests in joint ventures	22	3,334,796	3,351,253
Interests in associates	23	2,708,144	2,636,196
Investments	24	1,192,559	1,005,180
Receivables under service concession arrangements – non-current portion	25	5,870,222	4,379,747
Deposits paid on acquisition of a subsidiary/ property, plant and equipment	26	622,009	171,727
Other non-current receivables	27	194,872	–
Deferred tax assets	28	417,094	413,095
		50,088,828	47,479,649
Current Assets			
Inventories	29	52,844,091	53,298,120
Trade and other receivables	30	10,600,499	7,458,171
Prepaid lease payments – current portion	18	5,982	6,143
Investments	24	444,187	490,200
Receivables under service concession arrangements – current portion	25	166,658	137,176
Amounts due from customers for contract work	31	82,135	87,499
Prepaid taxation		200,844	218,195
Pledged bank deposits	32	362,252	742,973
Short-term bank deposits	32	1,314,414	469,736
Bank balances and cash	32	26,784,036	27,087,611
		92,805,098	89,995,824
Assets classified as held for sale	33	–	691,728
		92,805,098	90,687,552

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (restated)
Current Liabilities			
Trade and other payables	34	20,789,727	22,553,555
Customer deposits from sales of properties	35	7,410,541	5,415,008
Amounts due to customers for contract work	31	24,998	30,681
Taxation payable		3,386,361	3,763,484
Bank and other borrowings	36	10,977,611	18,456,862
Convertible bonds	37	3,681,843	–
		46,271,081	50,219,590
Liabilities associated with assets classified as held for sale	33	–	28
		46,271,081	50,219,618
Net Current Assets		46,534,017	40,467,934
Total Assets less Current Liabilities		96,622,845	87,947,583
Capital and Reserves			
Share capital	38	13,615,889	13,527,827
Share premium and reserves	38	22,412,209	21,700,596
Equity attributable to owners of the Company		36,028,098	35,228,423
Non-controlling interests		19,261,616	18,203,768
Total Equity		55,289,714	53,432,191
Non-Current Liabilities			
Provision for major overhauls	25	72,294	78,934
Bank and other borrowings	36	33,957,371	23,562,297
Convertible bonds	37	–	3,826,613
Deferred tax liabilities	28	7,303,466	7,047,548
		41,333,131	34,515,392
Total Equity and Non-Current Liabilities		96,622,845	87,947,583

The consolidated financial statements on pages 75 to 195 were approved and authorised for issue by the board of directors on 31 March 2016 and are signed on its behalf by:

Zhou Jie
Chief Executive Officer

Xu Bo
Deputy CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company													Attributable to non-controlling interests				
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Convertible bonds equity reserve HK$'000	Capital redemption reserve HK$'000	Other revaluation reserve HK$'000 (Note i)	Other reserve HK$'000 (Note ii)	Merger reserve HK$'000 (Note iii)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (Note iv)	Retained profits HK$'000	Sub-total HK$'000	Deferred consideration shares of a listed subsidiary HK$'000 (Note v)	Share options reserve of listed subsidiaries HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1 January 2014	108,275	13,418,247	163,633	114,442	1,071	54,855	1,378,676	(5,871,685)	93,085	3,917,251	931,663	20,636,511	34,946,024	30,582	66,842	17,336,366	17,433,790	52,379,814
Profit for the year, as restated	–	–	–	–	–	–	–	–	–	–	–	3,096,256	3,096,256	–	–	1,260,987	1,260,987	4,357,243
Exchange differences arising on translation of foreign operations																		
– subsidiaries, as restated	–	–	–	–	–	–	–	–	–	(761,287)	–	–	(761,287)	–	–	(491,005)	(491,005)	(1,252,292)
– joint ventures	–	–	–	–	–	–	–	–	–	(85,222)	–	–	(85,222)	–	–	–	–	(85,222)
– associates	–	–	–	–	–	–	–	–	–	(58,502)	–	–	(58,502)	–	–	–	–	(58,502)
Fair value change on available-for-sale investments held by																		
– subsidiaries	–	–	–	–	–	–	–	–	160,059	–	–	–	160,059	–	–	126,916	126,916	286,975
– a joint venture	–	–	–	–	–	–	–	–	22,737	–	–	–	22,737	–	–	–	–	22,737
Impairment loss on available-for-sale investments	–	–	–	–	–	–	–	–	23,775	–	–	–	23,775	–	–	–	–	23,775
Reclassification on disposal of available-for-sale investments	–	–	–	–	–	–	–	–	(2,633)	–	–	–	(2,633)	–	–	–	–	(2,633)
Reclassification on disposal/ deemed partial disposal of																		
– the Feng Qi Group	–	–	–	–	–	–	–	–	–	(1,256)	–	–	(1,256)	–	–	–	–	(1,256)
– interests in other subsidiaries (Note 41(III))	–	–	–	–	–	–	–	–	–	(984)	–	–	(984)	–	–	–	–	(984)
– interest in a joint venture	–	–	–	–	–	–	–	–	–	(10,308)	–	–	(10,308)	–	–	–	–	(10,308)
Total comprehensive income (expense) for the year, as restated	–	–	–	–	–	–	–	–	203,938	(917,559)	–	3,096,256	2,382,635	–	–	896,898	896,898	3,279,533
Issue of shares upon exercise of share options	114	120	(19)	–	–	–	–	–	–	–	–	–	215	–	–	–	–	215
Recognition of equity-settled share-based payments	–	–	164	–	–	–	–	–	–	–	–	–	164	–	–	–	–	164
Transfers	–	–	–	–	–	–	–	–	–	–	208,867	(208,867)	–	–	–	–	–	–
Transfers upon abolition of par value under the new Hong Kong Companies Ordinance (Note 38)	13,419,438	(13,418,367)	–	–	(1,071)	–	–	–	–	–	–	–	–	–	–	–	–	–
Capital contributions by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	293,296	293,296	293,296
Acquisition of a subsidiary from SIIC (Note 47(I))	–	–	–	–	–	–	–	(18)	–	(568)	903	(26,579)	(26,262)	–	–	(5,212)	(5,212)	(31,474)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(1,092,830)	–	–	–	–	–	(1,092,830)	–	–	(1,257,345)	(1,257,345)	(2,350,175)
Acquisition of Continental Land (Note 40(III))	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	44,481	44,481	44,481
Acquisition of Shanghai Investment from SIIC (Note 40(II)), as restated	–	–	–	–	–	–	–	(220,597)	–	–	–	–	(220,597)	–	–	308,774	308,774	88,177
Deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(16,990)	(16,990)	(16,990)
Disposal of subsidiaries (Note 41(III))	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(37,946)	(37,946)	(37,946)
Disposal of the Feng Qi Group	–	–	–	–	–	–	(21,181)	153,328	–	–	(5,358)	(126,789)	–	–	–	(81,400)	(81,400)	(81,400)
Deemed partial disposal of interest in a listed subsidiary upon shares placement (Note vi)	–	–	–	–	–	–	213,560	–	–	–	–	–	213,560	–	–	744,481	744,481	958,041
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(119,059)	(119,059)	(119,059)
Dividends paid (Note 14)	–	–	–	–	–	–	–	–	–	–	–	(974,486)	(974,486)	–	–	–	–	(974,486)
At 31 December 2014, as restated	13,527,827	–	163,778	114,442	–	54,855	478,225	(5,938,972)	297,023	2,999,124	1,136,075	22,396,046	35,228,423	30,582	66,842	18,106,344	18,203,768	53,432,191

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company											Attributable to non-controlling interests				
	Share capital HK$'000	Share options reserve HK$'000	Convertible bonds equity reserve HK$'000	Other revaluation reserve HK$'000 (Note i)	Other reserve HK$'000 (Note ii)	Merger reserve HK$'000 (Note iii)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (Note iv)	Retained profits HK$'000	Sub-total HK$'000	Deferred consideration shares of a listed subsidiary HK$'000 (Note v)	Share options reserve of listed subsidiaries HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1 January 2015, as restated	13,527,827	163,778	114,442	54,855	478,225	(5,938,972)	297,023	2,999,124	1,136,075	22,396,046	35,228,423	30,582	66,842	18,106,344	18,203,768	53,432,191
Profit for the year	–	–	–	–	–	–	–	–	–	2,770,168	2,770,168	–	–	865,196	865,196	3,635,364
Exchange differences arising on translation of foreign operations																
– subsidiaries	–	–	–	–	–	–	–	(1,011,916)	–	–	(1,011,916)	–	–	(916,965)	(916,965)	(1,928,881)
– joint ventures	–	–	–	–	–	–	–	(139,336)	–	–	(139,336)	–	–	–	–	(139,336)
– associates	–	–	–	–	–	–	–	(161,519)	–	–	(161,519)	–	–	–	–	(161,519)
Fair value change on available-for-sale investments held by subsidiaries	–	–	–	–	–	–	102,562	–	–	–	102,562	–	–	81,188	81,188	183,750
Reclassification on disposal of available-for-sale investments held by subsidiaries	–	–	–	–	–	–	(26,020)	–	–	–	(26,020)	–	–	–	–	(26,020)
Reclassification on disposal of interests in other subsidiaries (Note 41(III))	–	–	–	–	–	–	–	1,965	–	–	1,965	–	–	–	–	1,965
Total comprehensive income (expense) for the year	–	–	–	–	–	–	76,542	(1,310,806)	–	2,770,168	1,535,904	–	–	29,419	29,419	1,565,323
Issue of shares upon exercise of share options	88,062	(6,637)	–	–	–	–	–	–	–	–	81,425	–	–	–	–	81,425
Lapse of share options	–	(129,258)	–	–	–	–	–	–	–	129,258	–	–	–	–	–	–
Transfers	–	–	–	–	–	–	–	–	187,321	(187,321)	–	–	–	–	–	–
Capital contributions by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	49,988	49,988	49,988
Acquisition of other subsidiaries (Note 40(IV))	–	–	–	–	–	–	–	–	–	–	–	–	–	13,610	13,610	13,610
Acquisition of additional interests in subsidiaries	–	–	–	–	(10,570)	–	–	–	–	–	(10,570)	–	–	(487,745)	(487,745)	(498,315)
Acquisition of Fudan Water (Note 40(I))	–	–	–	–	–	–	–	–	–	–	–	–	–	674,915	674,915	674,915
Deemed partial disposal of interest in a listed subsidiary upon issuance of earn-out shares (Note v)	–	–	–	–	(29,205)	–	–	–	–	–	(29,205)	(30,582)	–	59,787	29,205	–
Deemed partial disposal of interest in a listed subsidiary upon issuance of consideration shares (Note 40(I))	–	–	–	–	381,667	–	–	–	–	–	381,667	–	–	1,480,924	1,480,924	1,862,591
Deregistration of subsidiaries	–	–	–	–	–	111,251	–	–	(6,056)	(105,195)	–	–	–	(142,107)	(142,107)	(142,107)
Dividends paid (Note 14)	–	–	–	–	–	–	–	–	–	(879,740)	(879,740)	–	–	–	–	(879,740)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(590,051)	(590,051)	(590,051)
Dividends declared by Shanghai Investment and payable to SIIC Shanghai	–	–	–	–	–	–	–	–	–	(266,022)	(266,022)	–	–	–	–	(266,022)
Repurchase of convertible bonds (Note 37)	–	–	(9,486)	–	–	–	–	–	–	5,608	(3,878)	–	–	–	–	(3,878)
Repurchase of shares (Note 38(iv))	–	–	–	–	–	–	–	–	–	(9,906)	(9,906)	–	–	–	–	(9,906)
Transfer upon forfeiture of share options of a listed subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(17,475)	17,475	–	–
Repurchase of shares by a listed subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(310)	(310)	(310)
At 31 December 2015	13,615,889	27,883	104,956	54,855	820,117	(5,827,721)	373,565	1,688,318	1,317,340	23,852,896	36,028,098	–	49,367	19,212,249	19,261,616	55,289,714

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

Notes:

(i) Other revaluation reserve is comprised of fair value adjustments on acquisition of subsidiaries relating to interests previously held by the Company and its subsidiaries (collectively referred to as the "Group") as associates/joint ventures and fair value adjustments arising upon the transfer of property, plant and equipment to investment properties in prior years.

(ii) The Group accounts for acquisitions of associates, joint ventures or investee companies from its ultimate parent, Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), as equity transactions and any difference between the consideration paid and the fair value of the interest acquired is recorded in other reserve. In addition, the Group accounts for changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recorded in other reserve.

(iii) Merger reserve represents the difference in the fair value of the consideration paid to SIIC for the acquisition of subsidiaries/businesses controlled by SIIC and the share capital of the acquired subsidiaries.

(iv) The statutory reserves are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to the Group's PRC subsidiaries, joint ventures and associates.

(v) In July 2012, SIIC Environment Holdings Ltd. ("SI Environment"), a listed subsidiary of the Group, completed the acquisition of an indirect 69.378% equity interest in Nanfang Water Co., Ltd. ("Nanfang Water") which, together with its subsidiaries and an associate, are principally engaged in the business of environment protection in the PRC, including waste water and tap water treatments. The consideration for the acquisition is HK$423,719,000 which includes (a) cash of RMB218.3 million (equivalent to approximately HK$266.0 million), (b) 433,626,615 ordinary shares in SI Environment, the fair value of which at the date of acquisition amounted to HK$127,829,000, and (c) HK$29,865,000, representing the fair value of the earn-out amounts for each of the three years ended 31 December 2014 if Nanfang Water achieves the agreed financial targets for the corresponding year. The maximum earn-out amount to be paid amounts to RMB45 million (equivalent to approximately HK$55 million) and would be settled by way of issuance of a fixed number of new ordinary shares in SI Environment.

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

In December 2015, SI Environment completed the issuance of earn-out shares upon Nanfang Water achieving the agreed financial targets for the corresponding year. The Group also accounted for this as an equity transaction and as a deemed disposal of SI Environment.

(vi) In July 2014, SI Environment entered into a placing agreement with two placement agents, who are independent third parties of the Group, in relation to its placement of 1,000,000,000 new ordinary shares, representing approximately 10.43% of the enlarged capital of SI Environment, at the placement price of S$0.158 per share. The Group's shareholding in SI Environment was diluted from 46.72% to 41.85% upon the completion of the placement as at 31 December 2014.

The Group accounted for the above shares placement as an equity transaction and the difference between the consideration received and the change of the Group's interest in SI Environment's net assets amounting to approximately HK$214 million was credited to other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit before taxation	5,706,389	6,990,055
Adjustments for:		
Amortisation of other intangible assets	129,981	82,672
Amortisation of toll road operating rights	776,386	746,569
Depreciation of property, plant and equipment	335,644	331,078
Dividend income from equity investments	(169,812)	(6,109)
Equity-settled share-based payments	–	164
Finance costs	1,613,526	1,362,267
Fair value gain on revaluation of an available-for-sale investment upon reclassification as an associate	–	(67,171)
Gain on bargain purchase	–	(5,575)
Gain on disposal of available-for-sale investments	(183,036)	(2,633)
Gain on disposal of the Feng Qi Group	–	(1,716,165)
Loss on repurchase of convertible bonds	352	–
Net gain on disposal of interests in other subsidiaries and an associate/deemed partial disposal of interest in a joint venture	(1,648,502)	(302,311)
Impairment loss on available-for-sale investments	–	342,427
Impairment loss on bad and doubtful debts	17,497	13,381
Impairment loss on inventories, other than properties	1,340	2,087
Impairment loss on properties held for sale	31,911	160,144
Increase in fair value of investment properties	(96,402)	(2,920)
Interest income	(675,512)	(712,111)
Net gain on disposal/written off of property, plant and equipment	(40,202)	(730)
Provision for major overhauls	242	6,769
Release of prepaid lease payments	7,809	5,911
Reversal of impairment loss on bad and doubtful debts	(1,726)	(4,188)
Reversal of impairment loss on other receivables	(3,357)	(11,271)
Reversal of impairment loss on properties held for sale upon subsequent sale	(35,068)	–
Reversal of provision for compensation to customers as a result of late delivery of properties	–	(24,685)
Share of results of associates	(23,174)	(33,946)
Share of results of joint ventures	(178,208)	(165,508)
Operating cash flows before movements in working capital	5,566,078	6,988,201
Increase in inventories	(4,271,592)	(947,241)
Decrease in financial assets at fair value through profit or loss	41,295	48,942
(Increase) decrease in trade and other receivables	(2,258,706)	415,098
Increase in receivables under service concession arrangements	(490,341)	(689)
Net movement in amounts due from (to) customers for contract work	(2,843)	15,260
Increase (decrease) in trade and other payables	1,895,989	(1,479,639)
Increase (decrease) in customer deposits from sales of properties	2,236,085	(7,740,959)
Decrease in provision for major overhauls	(3,375)	(4,382)
Cash generated from (used in) operations	2,712,590	(2,705,409)
PRC Enterprise Income Tax ("EIT") paid	(1,308,347)	(1,210,343)
PRC Land Appreciation Tax ("LAT") paid	(877,127)	(710,712)
Hong Kong Profits Tax paid	(215,208)	(140,476)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	311,908	(4,766,940)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (restated)
INVESTING ACTIVITIES			
Deposits received for identifying investment projects	34	1,633,628	–
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	41(III)	1,150,478	512,392
Disposal of assets classified as held for sale (net of cash and cash equivalents disposed of)	33	1,074,628	1,959,846
Interest received		675,512	715,442
Repayment from (advance to) joint ventures		179,126	(249,938)
Dividends received from equity investments		169,812	6,109
Proceeds from disposal of available-for-sale investments		159,864	7,770
Proceeds from disposal of property, plant and equipment		159,769	14,488
Dividends received from joint ventures		55,329	53,516
Proceeds from disposal of interests in associates		36,899	4,423
Dividends received from associates		22,772	21,812
Deposit paid on acquisition of a piece of land for property development for sale	30	(918,319)	–
Acquisition of subsidiaries/businesses	40	(832,596)	(4,233,017)
Settlement of consideration payables for acquisition of subsidiaries		(636,025)	–
Increase in restricted/pledged/short-term bank deposits		(458,958)	(63,786)
Deposit paid on acquisition of a subsidiary		(344,146)	–
Advance to an independent third party	27	(194,872)	–
Purchase of property, plant and equipment		(183,345)	(254,638)
Net cash outflow on deregistration of non-wholly owned subsidiaries		(142,107)	–
Increase in deposits paid on acquisition of property, plant and equipment		(106,136)	(115,253)
Acquisition of an associate		(103,547)	(540,938)
Purchase of available-for-sale investments		(54,050)	(195,458)
Purchase of operating concessions		(44,043)	(212,083)
Settlement of consideration receivables		–	1,419,628
Acquisition of Shanghai Investment	40(II)	–	1,417,075
Withdrawal of entrusted fund placed with a joint venture		–	503,081
Proceeds from disposal of investment properties	16	–	125,854
Proceeds from government grant		–	62,462
Proceeds from disposal of operating concessions		–	16,757
Decrease in prepaid lease payments		–	11,825
Acquisition of a joint venture		–	(666,068)
Entrusted fund placed with a joint venture		–	(503,081)
Additions to toll road operating rights		–	(28,030)
Purchase of and subsequent expenditures on investment properties		–	(4,413)
Acquisition of a subsidiary from SIIC		–	(1,105)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		1,299,673	(215,328)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (restated)
FINANCING ACTIVITIES			
Repayment of bank and other borrowings		(14,369,817)	(14,837,413)
Acquisition of Shanghai Investment	2	(1,454,025)	–
Interest paid		(1,436,060)	(1,277,239)
Dividends paid		(879,740)	(974,486)
Dividends paid to non-controlling interests		(590,051)	(119,059)
Acquisition of additional interests in subsidiaries		(498,315)	(1,762,822)
Repurchase of convertible bonds	37	(329,315)	–
Dividends declared by Shanghai Investment and payable to SIIC Shanghai		(266,022)	–
(Repayment to) advances from fellow subsidiaries		(93,269)	1,349,516
Repurchase of shares	38(iv)	(9,906)	–
Repayment to related parties		(3,664)	(1,634,900)
Repurchase of shares by a listed subsidiary		(310)	–
Bank and other borrowings raised		11,052,192	23,631,479
Issuance of listed bonds		7,126,003	–
Advances from related parties		168,363	2,901,367
Proceeds from issue of shares upon exercise of share options		81,425	215
Capital contributions by non-controlling interests		49,988	293,296
Redemption of senior notes		–	(2,067,833)
Return of capital to non-controlling interests upon capital reduction of a subsidiary		–	(16,990)
Proceeds from shares placements by a listed subsidiary, net of direct transaction costs		–	958,041
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(1,452,523)	6,443,172
NET INCREASE IN CASH AND CASH EQUIVALENTS		159,058	1,460,904
CASH AND CASH EQUIVALENTS AT 1 JANUARY		27,087,717	26,159,050
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(462,739)	(532,237)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		26,784,036	27,087,717
Represented by:			
Bank balances and cash		26,784,036	27,087,611
Bank balances and cash classified as assets held for sale		–	106
		26,784,036	27,087,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

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

The Company is an investment holding company. The principal activities of its principal subsidiaries, joint ventures and associates are set out in Notes 50, 51 and 52, respectively.

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

2. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

In December 2015, the Group, through a non-wholly owned listed subsidiary, Shanghai Industrial Development Co., Ltd. ("SI Development"), completed the acquisition of 100% equity interest in Shanghai Investment Co., Ltd. ("Shanghai Investment") from SIIC Shanghai (Holdings) Co., Ltd. ("SIIC Shanghai"), a wholly owned subsidiary of SIIC, for a cash consideration of RMB3,432,703,000 (equivalent to HK$4,099,239,000).

Shanghai Investment is principally engaged in the business of property development and sale in the PRC.

Shanghai Investment was acquired by SIIC from Shanghai International Group Co., Ltd., an entity controlled by State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (the "Shanghai SASAC"), on 1 July 2014 and hence, the Group and Shanghai Investment first came under the common control of SIIC since that date.

In applying AG 5 to the acquisition of Shanghai Investment, the consolidated statement of financial position of the Group as at 31 December 2014 has been restated to include the assets and liabilities of Shanghai investment and its subsidiaries (collectively referred to as the "Shanghai investment Group") as if they were within the Group on that date (see below for the financial impact). The consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2014 have also been restated to include the financial performance and cash flows of the Shanghai Investment Group as if they were within the Group since 1 July 2014 (also see below for the financial impact on the consolidated statement of profit or loss).

2. MERGER ACCOUNTING AND RESTATEMENTS (Continued)

The effects of acquisition of the Shanghai Investment Group using merger accounting on the consolidated statement of profit or loss for the year ended 31 December 2014 are as follows:

	HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (Note)	HK$'000 (restated)
Revenue	19,967,066	1,365,951	21,333,017
Cost of sales	(12,391,654)	(1,096,620)	(13,488,274)
Gross profit	7,575,412	269,331	7,844,743
Net investment income	804,636	9,154	813,790
Other income, gains and losses	560,952	15,496	576,448
Selling and distribution costs	(811,522)	(26,125)	(837,647)
Administrative and other expenses	(1,886,887)	(33,628)	(1,920,515)
Finance costs	(1,359,195)	(3,072)	(1,362,267)
Share of results of joint ventures	165,508	–	165,508
Share of results of associates	33,946	–	33,946
Gain on disposal of the Feng Qi Group	1,716,165	–	1,716,165
Net gain on disposal of interests in other subsidiaries and an associate/deemed partial disposal of interest in a joint venture	302,311	–	302,311
Impairment loss on available-for-sale investments	(342,427)	–	(342,427)
Profit before taxation	6,758,899	231,156	6,990,055
Income tax expense	(2,466,902)	(165,910)	(2,632,812)
Profit for the year	4,291,997	65,246	4,357,243
Profit for the year attributable to			
– Owners of the Company	3,069,003	27,253	3,096,256
– Non-controlling interests	1,222,994	37,993	1,260,987
	4,291,997	65,246	4,357,243
	HK$ (originally stated)	HK$	HK$ (restated)
Earnings per share			
– Basic	2.834	0.026	2.860
– Diluted	2.634	0.023	2.657

2. MERGER ACCOUNTING AND RESTATEMENTS (Continued)

The effect of acquisition of the Shanghai Investment Group using merger accounting on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 are as follows:

	HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (Note)	HK$'000 (restated)
Profit for the year	4,291,997	65,246	4,357,243
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations of subsidiaries	(1,128,241)	(124,051)	(1,252,292)
Others	174,582	–	174,582
Other comprehensive expense for the year	(953,659)	(124,051)	(1,077,710)
Total comprehensive income for the year	3,338,338	(58,805)	3,279,533
Total comprehensive income for the year attributable to			
– Owners of the Company	2,451,631	(68,996)	2,382,635
– Non-controlling interests	886,707	10,191	896,898
	3,338,338	(58,805)	3,279,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. MERGER ACCOUNTING AND RESTATEMENTS (Continued)

The effects of acquisition of the Shanghai Investment Group using merger accounting on the consolidated statement of financial position as at 31 December 2014 are summarised below:

	HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (Note)	HK$'000 (restated)
ASSETS			
Property, plant and equipment	4,657,924	3,959	4,661,883
Other intangible assets	1,963,325	1,649	1,964,974
Deferred tax assets	315,418	97,677	413,095
Inventories	47,007,200	6,290,920	53,298,120
Trade and other receivables	4,940,367	2,517,804	7,458,171
Prepaid taxation	201,470	16,725	218,195
Bank balances and cash	25,119,702	1,967,909	27,087,611
Other assets	43,065,152	–	43,065,152
	127,270,558	10,896,643	138,167,201
LIABILITIES			
Trade and other payables	16,168,861	6,384,694	22,553,555
Customer deposits from sales of properties	3,088,017	2,326,991	5,415,008
Taxation payable	3,411,953	351,531	3,763,484
Bank and other borrowings	40,715,485	1,303,674	42,019,159
Deferred tax liabilities	6,547,167	500,381	7,047,548
Other liabilities	3,936,256	–	3,936,256
	73,867,739	10,867,271	84,735,010
NET ASSETS	53,402,819	29,372	53,432,191
CAPITAL AND RESERVES			
Share capital and reserves	35,518,016	(289,593)	35,228,423
Non-controlling interests	17,884,803	318,965	18,203,768
TOTAL EQUITY	53,402,819	29,372	53,432,191

Note: These represent inclusion of the financial performance of the Shanghai Investment Group for the period from 1 July 2014 to 31 December 2014 and their assets and liabilities as of 31 December 2014 into the Group's consolidated financial statements, as adjusted by the non-controlling interests of SI Development.

The adjustments to the trade and other payables at 31 December 2014 also include an amount of RMB3,432,703,000 (equivalent to HK$4,289,806,000), being the cash consideration payable by the Group for the acquisition of Shanghai Investment. At 31 December 2015, the outstanding balance of consideration payable was RMB2,400,000,000 (equivalent to HK$2,866,014,000), which has been included in other payables (see Note 34).

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

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

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

New and revised HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial Instruments"

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

HKFRS 9 "Financial Instruments" (Continued)

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

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are required 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

Based on an analysis of the Group's financial assets as at 31 December 2015, the adoption of HKFRS 9 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. It is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

HKFRS 15 "Revenue from Contracts with Customers"

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

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

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

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits", respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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

Merger accounting for business combination involving entities under common control

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

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

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

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

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

Goodwill

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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

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

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

Investments in subsidiaries

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

Investments in associates and joint ventures

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale

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

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

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

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

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

Service concession arrangements

Consideration given by the grantor

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service concession arrangements (Continued)

Consideration given by the grantor (Continued)

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

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

Operating services

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

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

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

Construction contracts

When the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts (Continued)

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

Revenue recognition

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

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

Investment properties

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

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

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

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

Transfer from investment properties to property, plant and equipment

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

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

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

Leasing

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

The Group as lessor

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee

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

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

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 recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during 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 equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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

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

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

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

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

Retirement benefits costs

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

Intangible assets

Intangible assets acquired separately

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Research expenditure

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

Toll road operating rights

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

Operating concessions

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment loss (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

Impairment losses on tangible and intangible assets other than goodwill

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets other than goodwill (Continued)

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Properties under development held for sale and properties held for sale

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

Others

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

Transfer from inventories to investment properties carried at fair value

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

Transfer from inventories to leasehold land and buildings carried at cost

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in net investment income line item. Fair value is determined in the manner described in Note 24.

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. Subsequent to initial recognition, loans and receivables (including receivables under service concession arrangements, trade and other receivables, amounts due from subsidiaries, loan to a joint venture, pledged bank deposits, short-term bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

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

Available-for-sale financial assets

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

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

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

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

Impairment of financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For certain categories of financial assets, such as trade receivables, 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 past the average credit period of 30 to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale or cancellation of the Company's own equity instruments.

Convertible bonds containing liability and equity components

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible bonds containing liability and equity components (Continued)

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

Derivative financial instruments

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

Embedded derivatives

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of obligation under the contract, as determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Provisions

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

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

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

Contingent liabilities acquired in a business combination

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of fair value of equity-settled share based transactions are set out in Note 39.

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

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

Deferred taxation on investment properties

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

Control over SI Environment

Note 50 describes that SI Environment is a subsidiary of the Group although the Group has only 35.55% ownership interest and voting rights in SI Environment. SI Environment is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Upon completion of the issuance of consideration shares and earn-out shares by SI Environment during the year ended 31 December 2015, the Group's shareholding in SI Environment was diluted from 41.85% to 35.55%. Details of SI Environment are set out in Note 50.

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

Key sources of estimation uncertainty

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

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2015 at their fair value, details of which are disclosed in Note 16. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent firm of property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavorable changes to these assumptions may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and the carrying amount of these properties included in the consolidated statement of financial position.

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

Key sources of estimation uncertainty (Continued)

Amortisation of toll road operating rights

Toll road operating rights amounting to approximately HK$11,320 million as at 31 December 2015 (2014: HK$12,633 million) are amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the operating period of the toll roads. If the actual traffic volume differs from the original projection, such difference will impact the amount of amortisation for the remaining operating period of the toll roads. There were no significant changes in the traffic volume estimates in the current year.

Allowance for properties under development and properties held for sale

Management regularly reviews the recoverability of the Group's properties under development and properties held for sale with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceed their recoverable amounts. Appropriate allowance for properties under development and properties held for sale is made if the estimated recoverable amount is lower than its carrying amount. As at 31 December 2015, the aggregate carrying amount of properties under development and properties held for sale was approximately HK$50,968 million (2014: HK$51,787 million, as restated).

Recognition and allocation of construction costs on properties under development

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

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

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

PRC LAT

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

The Group is subject to LAT in the PRC which has been included in income tax expense of the Group. However, the Group has not finalised its LAT returns with the tax authorities for certain of its property development projects. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and deferred income tax provisions in the period in which such determination is made. As at 31 December 2015, the carrying amount of LAT provision (included in taxation payable) was approximately HK$1,796 million (2014: HK$1,899 million, as restated).

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

Key sources of estimation uncertainty (Continued)

Estimated impairment of trade and other receivables

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

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the aggregate carrying amount of trade and other receivables was approximately HK$10,600 million (2014: HK$7,458 million, as restated).

Estimation of contract revenue and costs

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

Fair value measurements and valuation processes

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

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model on a regular basis, or when needs arise, and will report the significant results and findings to the board of directors of the Company. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 16 and 55(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

6. REVENUE

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

	2015 HK$'000	2014 HK$'000 (restated)
Sales of properties	9,876,136	12,609,993
Sales of goods	3,889,035	3,958,382
Income from infrastructure facilities	4,348,739	3,680,795
Property rental and management income	1,407,587	985,896
Income from hotel operation	172,185	97,951
	19,693,682	21,333,017

7. NET INVESTMENT INCOME

	2015 HK$'000	2014 HK$'000 (restated)
Interest on bank deposits	492,035	483,472
Interest on available-for-sale investments	47,595	22,735
Interest on financial assets designated as at FVTPL	7,806	–
Other interest income	128,076	205,904
Total interest income	675,512	712,111
Change in fair value of financial assets classified as held for trading	(19,111)	36,923
Change in fair value of financial assets designated as at FVTPL	(12,870)	(18,830)
Dividend income from equity investments	169,812	6,109
Fair value gain on revaluation of an available-for-sale investment upon reclassification as an associate	–	67,171
Gain on disposal of available-for-sale investments	183,036	2,633
Rental income from property, plant and equipment	1,708	7,673
	998,087	813,790

7. NET INVESTMENT INCOME (Continued)

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

	2015 HK$'000	2014 HK$'000 (restated)
Financial assets at FVTPL	(18,655)	23,759
Loans and receivables (including bank balances and cash)	620,111	689,376
Available-for-sale financial assets	394,923	92,982
	996,379	806,117
Investment income earned on non-financial assets	1,708	7,673
	998,087	813,790

Included above is income from listed investments of HK$12,429,000 (2014: HK$45,222,000) and from unlisted investments of HK$363,839,000 (2014: HK$71,520,000).

8. FINANCE COSTS

	2015 HK$'000	2014 HK$'000 (restated)
Interest on bank and other borrowings	2,139,513	1,811,917
Interest on convertible bonds (Note 37)	177,466	84,006
Interest on senior notes	–	120,855
	2,316,979	2,016,778
Less: amounts capitalised in properties under development held for sale	(703,453)	(654,511)
	1,613,526	1,362,267

Borrowing costs capitalised during the year arose on the general borrowings pool and are calculated by applying capitalisation rates ranging from 4.6% to 7.2% (2014: 6.0% to 8.2%, as restated), per annum to expenditure on qualifying assets.

9. NET GAIN ON DISPOSAL OF INTERESTS IN OTHER SUBSIDIARIES AND AN ASSOCIATE/DEEMED PARTIAL DISPOSAL OF INTEREST IN A JOINT VENTURE

	2015 HK$'000	2014 HK$'000
Net gain on disposal of interests in other subsidiaries (Notes 33 and 41(III))	1,647,362	282,133
Gain on disposal of interest in an associate	1,140	4,423
Gain on deemed partial disposal of interest in a joint venture	–	15,755
	1,648,502	302,311

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10. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$'000	2014 HK$'000
Impairment loss on		
– listed equity investments	–	23,775
– unlisted equity investments	–	318,652
	–	342,427

11. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'000 (restated)
Current tax		
– Hong Kong	222,119	202,242
– PRC LAT	789,271	1,103,561
– PRC EIT (including PRC withholding tax of HK$4,353,000 (2014: HK$24,386,000))	1,225,661	1,705,622
	2,237,051	3,011,425
(Over)under provision in prior years		
– Hong Kong	(2,112)	236
– PRC LAT (Note i)	(15,481)	(131,290)
– PRC EIT (including overprovision of PRC withholding tax of HK$6,046,000 (2014: Nil)) (Note ii)	(43,130)	(1,818)
	(60,723)	(132,872)
Deferred taxation for the year (Note 28)	(105,303)	(245,741)
	2,071,025	2,632,812

Notes:

(i) The Group recognised an overprovision of PRC LAT during the years ended 31 December 2014 and 2015 upon completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

(ii) The Group also recognised an overprovision of PRC EIT during the year ended 31 December 2015 upon obtaining a tax clearance from the tax authority for disposal of a PRC subsidiary.

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For the year ended 31 December 2015

11. INCOME TAX EXPENSE (Continued)

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

	2015 HK$'000	2014 HK$'000 (restated)
Profit before taxation	5,706,389	6,990,055
Tax at PRC statutory tax rate of 25%	1,426,597	1,747,514
Tax effect of share of results of joint ventures and associates	(50,346)	(49,864)
Tax effect of expenses not deductible for tax purpose	289,138	385,712
Tax effect of income not taxable for tax purpose	(91,066)	(43,006)
Overprovision of Hong Kong Profits Tax and PRC EIT in prior years	(45,242)	(1,582)
Tax effect of tax losses not recognised as deferred tax assets	281,513	113,357
Utilisation of tax losses previously not recognised as deferred tax assets	(40,309)	(67,567)
Effect of a PRC subsidiary subjects to a lower tax rate	(7,726)	(12,596)
Effect of different tax rates of subsidiaries	(301,654)	(254,993)
Provision for PRC LAT for the year	782,593	1,039,689
Overprovision of PRC LAT in prior years	(15,481)	(131,290)
Tax effect of PRC LAT deductible for PRC EIT	(191,778)	(227,100)
Tax charge on dividend withholding tax	18,554	118,469
Others	16,232	16,069
Income tax expense for the year	2,071,025	2,632,812

Notes:

(i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

(ii) The Group's subsidiaries in the PRC are subject to PRC EIT at a rate of 25% for both years, except for a PRC subsidiary which is qualified as High New Technology Enterprises and enjoys a preferential tax rate of 15% for both years. The preferential tax rate is applicable for three years until 2016 and subject to approval for renewal.

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

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For the year ended 31 December 2015

12. PROFIT FOR THE YEAR

	2015 HK$'000	2014 HK$'000 (restated)
Profit for the year has been arrived at after charging:		
Employee benefits expense, including directors' emoluments:		
Basic salaries, allowances and bonus	1,093,672	944,225
Equity-settled share-based payments	–	164
Retirement benefits scheme contributions	109,818	82,764
	1,203,490	1,027,153
Amortisation of toll road operating rights (included in cost of sales)	776,386	746,569
Amortisation of other intangible assets (included in cost of sales)	129,981	82,672
Depreciation of property, plant and equipment	335,644	331,078
Release of prepaid lease payments	7,809	5,911
Total depreciation and amortisation	1,249,820	1,166,230
Auditors' remuneration	16,338	15,229
Cost of inventories recognised as an expense		
– properties	7,841,605	9,037,230
– inventories other than properties	2,390,146	2,091,535
Compensation expense in relation to settlement of a legal case	127,708	–
Impairment loss on bad and doubtful debts	17,497	13,381
Impairment loss on properties held for sale	31,911	160,144
Impairment loss on inventories, other than properties	1,340	2,087
Net foreign exchange loss (included in other income, gains and losses)	664,559	262,850
Operating lease rentals in respect of land and buildings to		
– fellow subsidiaries	12,457	10,784
– others	124,251	102,209
Agreed payment in relation to withdrawal from a legal case (Note 44(b))	78,954	–
Provision for major overhauls (included in cost of sales)	242	6,769
Research expenditure	4,238	2,659
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	51,246	40,703
Share of PRC EIT of associates (included in share of results of associates)	32,773	9,862
and after crediting other income, gains and losses as follows:		
Increase in fair value of investment properties	96,402	2,920
Net gain on disposal/written off of property, plant and equipment	40,202	730
Reversal of impairment loss on bad and doubtful debts	1,726	4,188
Reversal of impairment loss on properties held for sale upon subsequent sale	35,068	–
Reversal of impairment loss on other receivables	3,357	11,271
Reversal of provision for compensation to customers as a result of late delivery of properties	–	24,685

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

The emoluments paid or payable to each of the ten (2014: eleven) former and existing directors of the Company were as follows:

	Wang Wei HK$'000	Zhou Jie HK$'000	Lu Shen HK$'000	Zhou Jun HK$'000	Xu Bo HK$'000	Ni Jian Da HK$'000 (Note i)	Qian Yi HK$'000 (Note ii)	Lo Ka Shui HK$'000	Woo Chia-Wei HK$'000	Leung Pak To, Francis HK$'000	Cheng Hoi Chuen, Vincent HK$'000	Total HK$'000
Year ended 31 December 2015												
Executive directors:												
Directors' fee and committee remuneration	–	–	–	–	–	20	–	–	–	–	–	20
Basic salaries and allowances	3,258	2,364	1,940	1,886	1,886	–	–	–	–	–	–	11,334
Bonuses	2,100	1,995	945	840	840	–	–	–	–	–	–	6,720
Equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	–	–
Retirement benefits scheme contributions	74	63	59	59	54	–	–	–	–	–	–	309
Independent non-executive directors:												
Directors' fees and committee remuneration	–	–	–	–	–	–	–	360	440	440	449	1,689
Equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	–	–
Total directors' emoluments	5,432	4,422	2,944	2,785	2,780	20	–	360	440	440	449	20,072
Year ended 31 December 2014												
Executive directors:												
Directors' fee and committee remuneration	–	–	–	–	–	199	–	–	–	–	–	199
Basic salaries and allowances	3,258	2,364	1,940	1,886	1,886	–	264	–	–	–	–	11,598
Bonuses	2,100	1,995	945	840	840	–	117	–	–	–	–	6,837
Equity-settled share-based payments	–	–	–	–	86	–	–	–	–	–	–	86
Retirement benefits scheme contributions	72	62	58	58	53	–	8	–	–	–	–	311
Independent non-executive directors:												
Directors' fees and committee remuneration	–	–	–	–	–	–	–	341	421	421	430	1,613
Equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	–	–
Total directors' emoluments	5,430	4,421	2,943	2,784	2,865	199	389	341	421	421	430	20,644

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

Notes:

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

14. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Dividends recognised as distribution during the year:		
2015 interim dividend of HK36 cents (2014: 2014 interim dividend of HK45 cents) per share	390,906	487,243
2014 final dividend of HK45 cents (2014: 2013 final dividend of HK45 cents) per share	488,834	487,243
	879,740	974,486

The final dividend of HK45 cents per share in respect of the year ended 31 December 2015, amounting to approximately HK$488.6 million in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

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

	2015 HK$'000	2014 HK$'000 (restated)
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	2,770,168	3,096,256
Effect of dilutive potential ordinary shares – interest on convertible bonds, net of tax	148,185	70,145
Earnings for the purpose of diluted earnings per share	2,918,353	3,166,401

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15. EARNINGS PER SHARE (Continued)

	2015	2014
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,085,105,421	1,082,760,696
Effect of dilutive potential ordinary shares		
– convertible bonds	104,758,634	107,319,758
– share options of the Company	342,090	1,555,728
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,190,206,145	1,191,636,182

The computation of diluted earnings per share does not assume:

(i) the exercise of certain of the Company's outstanding options as the exercise price of those options was higher than the average market price for the corresponding period; and

(ii) the exercise of options issued by Shanghai Industrial Urban Development Group Limited ("SI Urban Development"), a listed subsidiary of the Group, because the exercise price of those options was higher than the average market price for the corresponding period.

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2014	9,779,462
Exchange adjustments	(308,280)
Subsequent expenditures	1,343
Transfer from inventories (Note iii)	384,333
Additions	3,070
Additions through acquisition of Continental Land (as defined in Note 40(III))	6,583,206
Transfer to property, plant and equipment (Note iv)	(341,000)
Disposals (Note vi)	(125,854)
Increase in fair value recognised in profit or loss	2,920
At 31 December 2014	15,979,200
Exchange adjustments	(713,006)
Increase in fair value recognised in profit or loss	96,402
At 31 December 2015	15,362,596

16. INVESTMENT PROPERTIES (Continued)

Notes:

		2015 HK$'000	2014 HK$'000
(i)	Unrealised gain (loss) on property revaluation included in profit or loss for the year (included in other income, gains and losses/administrative and other expenses)	96,402	(46,898)

(ii) The Group's investment properties are situated on land held under:

	2015 HK$'000	2014 HK$'000
Land use rights in the PRC	15,362,596	15,979,200

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

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

(v) The property rental income earned by the Group from its investment properties which are either held for rental income under operating leases and/or for capital appreciation purpose, amounted to HK$1,003,749,000 (2014: HK$841,014,000) with insignificant direct operating expenses.

(vi) During the year ended 31 December 2014, the Group disposed of certain investment properties for cash proceeds of HK$125,854,000 (2015: Nil).

(vii) The fair values of the Group's investment properties at 31 December 2015 and 31 December 2014 have been arrived at on the basis of valuations carried out on the respective dates by DTZ. DTZ is a member of the Institute of Valuers and a firm of independent qualified professional valuers not connected to the Group. DTZ possesses appropriate qualifications and experience in the valuation of properties in the relevant locations. All of the Group's investment properties were valued by DTZ with reference to market evidence of transaction prices for similar properties in similar locations and conditions or on the basis of investment approach, where appropriate. In arriving at the valuation on the basis of investment approach, the fair value is determined by capitalising the net rental income derived from the existing tenancies with due provision or allowance for the reversionary potential of the properties. There has been no change from the valuation technique used in the prior year.

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

16. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(ix) Following are the key inputs used in valuing the investment properties as at 31 December 2015 and 2014:

Category	Fair value hierarchy	Fair value 2015 HK$'000	Fair value 2014 HK$'000	Valuation techniques	Significant unobservable inputs	Range or weighted average 2015	Range or weighted average 2014	Sensitivity
Office properties	Level 3	5,619,718	5,796,792	Investment approach	Reversionary yield (derived from existing contracts rent and monthly market rent)	4.0%-9.0%	5.0%-7.0%	The higher the reversionary yield, the lower the fair value.
Car parking spaces	Level 3	150,161	154,879	Investment approach	Reversionary yield (derived from monthly market rent)	5.5%	5.5%	The higher the reversionary yield, the lower the fair value.
		54,821	57,369	Comparison approach	Adjustment to transaction price (to reflect location, age and maintenance)	9.0%-14.0%	22.8%-30.4%	The larger the adjustment, the higher the fair value.
Residential properties	Level 3	22,689	23,744	Comparison approach	Adjustment to transaction price (to reflect direction and height)	14.3%	14.2%	The larger the adjustment, the higher the fair value.
Industrial properties	Level 3	148,007	154,887	Investment Approach	Reversionary yield (derived from existing contracts rent and monthly market rent)	6.0%	6.0%	The higher the reversionary yield, the lower the fair value.
Commercial properties	Level 3	9,367,200	9,791,529	Investment approach	Reversionary yield (derived from existing contracts rent and monthly market rent)	4.0%-5.5%	4.0%-5.0%	The higher the reversionary yield, the lower the fair value.
		15,362,596	15,979,200					

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

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17. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2014	617,808	1,834,002	816,479	175,778	2,092,300	163,337	5,699,704
Exchange adjustments (restated)	(30,086)	(32,557)	(7,572)	(5,349)	(9,154)	(2,879)	(87,597)
Acquisition of Shanghai Investment (Note 40(II)) (restated)	–	–	1,686	3,004	–	–	4,690
Acquisition of Continental Land (Note 40(III))	–	–	2,536	848	–	–	3,384
Acquisition of other subsidiaries (Note 40(IV))	–	–	5,660	710	–	9,105	15,475
Additions (restated)	553	8,672	43,237	26,867	162,851	63,707	305,887
Reclassified as held for sale (Note 33(I))	–	–	(169)	–	–	–	(169)
Transfers/reclassification (Note iii)	665,312	490,863	9,582	–	38,377	(58,785)	1,145,349
Disposals/written off	(103)	(941)	(6,534)	(16,977)	(122)	–	(24,677)
Disposal of subsidiaries (Note 41(III))	–	(70)	(235)	(367)	(14)	–	(686)
At 31 December 2014 (restated)	1,253,484	2,299,969	864,670	184,514	2,284,238	174,485	7,061,360
Exchange adjustments	(67,052)	(59,819)	(15,925)	(8,450)	(14,483)	(4,473)	(170,202)
Acquisition of Fudan Water (Note 40(I))	–	3,212	17	672	16	–	3,917
Acquisition of other subsidiaries (Note 40(IV))	–	–	574	1,377	21,835	–	23,786
Additions	22,310	9,058	50,311	25,937	52,036	29,423	189,075
Transfers/reclassification (Note iii)	–	34,336	130	–	7,299	(27,871)	13,894
Disposals/written off	(170)	(110,854)	(26,017)	(28,368)	(80,108)	(87)	(245,604)
Disposal of subsidiaries (Note 41(III))	–	(55)	(174)	(695)	–	–	(924)
At 31 December 2015	1,208,572	2,175,847	873,586	174,987	2,270,833	171,477	6,875,302
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1 January 2014	121,049	371,845	379,229	108,562	1,119,462	–	2,100,147
Exchange adjustments (restated)	(4,979)	(5,789)	(3,546)	(2,768)	(3,389)	–	(20,471)
Provided for the year (restated)	50,975	69,785	52,678	20,088	137,552	–	331,078
Reclassified as held for sale (Note 33(I))	–	–	(38)	–	–	–	(38)
Eliminated on disposals/written off	(72)	(482)	(119)	(10,242)	(4)	–	(10,919)
Eliminated on disposal of subsidiaries (Note 41(III))	–	(29)	(90)	(193)	(8)	–	(320)
At 31 December 2014 (restated)	166,973	435,330	428,114	115,447	1,253,613	–	2,399,477
Exchange adjustments	(13,877)	(12,505)	(8,467)	(5,359)	(8,790)	–	(48,998)
Provided for the year	75,156	75,910	50,639	19,955	113,984	–	335,644
Eliminated on disposals/written off	(103)	(8,582)	(23,442)	(25,777)	(64,216)	–	(122,120)
Eliminated on disposal of subsidiaries (Note 41(III))	–	(13)	(119)	(666)	–	–	(798)
At 31 December 2015	228,149	490,140	446,725	103,600	1,294,591	–	2,563,205
CARRYING VALUES							
At 31 December 2015	980,423	1,685,707	426,861	71,387	976,242	171,477	4,312,097
At 31 December 2014 (restated)	1,086,511	1,864,639	436,556	69,067	1,030,625	174,485	4,661,883

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17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

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

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

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

	2015 HK$'000	2014 HK$'000
Land use rights in the PRC	1,978,611	2,231,480
Leases in Hong Kong	687,519	719,670
	2,666,130	2,951,150

(iii) During the year ended 31 December 2014, the Group transferred properties held for sale included in inventories of HK$665,312,000 (2015: Nil) to property, plant and equipment under hotel property category upon the change of use from selling the hotel properties to carrying out the hotel operation by the Group itself. This hotel commenced operation in June 2014. The Group also transferred investment properties of HK$341,000,000 (2015: Nil) to property, plant and equipment under leasehold land and building category as detailed in Note 16(iv).

In addition, the Group transferred properties held for sale of HK$13,894,000 (2014: HK$139,037,000) from inventories to property, plant and equipment under leasehold land and building category upon the change of use of the property from sale to owner occupied purpose.

18. PREPAID LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
The Group's prepaid lease payments comprise land use rights in the PRC	268,977	289,391
Analysed for reporting purposes as:		
Current portion	5,982	6,143
Non-current portion	262,995	283,248
	268,977	289,391

Note: During the year ended 31 December 2014, the Group transferred properties held for sale included in inventories of HK$170,732,000 (2015: Nil) to prepaid lease payments.

19. TOLL ROAD OPERATING RIGHTS

	HK$'000
COST	
At 1 January 2014	16,988,367
Exchange adjustments	(407,797)
Additions	28,030
At 31 December 2014	16,608,600
Exchange adjustments	(737,787)
At 31 December 2015	15,870,813
AMORTISATION	
At 1 January 2014	3,313,619
Exchange adjustments	(84,734)
Charged for the year	746,569
At 31 December 2014	3,975,454
Exchange adjustments	(200,926)
Charged for the year	776,386
At 31 December 2015	4,550,914
CARRYING VALUES	
At 31 December 2015	11,319,899
At 31 December 2014	12,633,146

Notes:

(i) The toll road operating rights represent:

(a) the right to receive toll fees from vehicles using the Shanghai section of the Jing-Hu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 25 years ending in 2028;

(b) the right to receive toll fees from vehicles using the Shanghai section of the Hu-Kun Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 30 years ending in 2030; and

(c) the right to receive toll fees from vehicles using the Shanghai section of Hu-Yu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 20 years ending in 2027.

(ii) The Group's rights to operate the toll roads are amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the period for which the Group is granted the rights to operate the toll roads.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. GOODWILL

	HK$'000
COST	
At 1 January 2014 and 31 December 2014	–
Exchange adjustments	(24,852)
Arising on acquisition of Fudan Water (Note 40(I))	559,472
Arising on acquisition of Qingdao Wing Fat (Note 40(IV))	38,235
At 31 December 2015	572,855
IMPAIRMENT	
At 1 January 2014, 31 December 2014 and 31 December 2015	–
CARRYING VALUES	
At 31 December 2015	572,855
At 31 December 2014	–

For the purposes of impairment testing, goodwill arising on business combinations as set out above was allocated, at acquisition, to two cash-generating units ("CGUs"), comprising one subsidiary in the infrastructure facilities segment and one subsidiary in the consumer products segment, that are expected to benefit from that business combination as follows:

	2015 HK$'000	2014 HK$'000
Infrastructure facilities – Fudan Water	534,620	–
Consumer products – Qingdao Wing Fat	38,235	–
	572,855	–

During the year ended 31 December 2015, management of the Group determines that there is no impairment of any of the CGUs containing goodwill.

The recoverable amounts of the CGUs have been determined based on a value in use calculation.

For infrastructure facilities segment, the value in use is determined by discounting the future cash flows to be generated from the continuing use of waste water treatment plant and waste incineration power generation plant over the service concession period ranging from 20 to 25 years, using a discount rate of 11%.

For consumer products segment, the value in use calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period using a discount rate of 10%. The cash flows beyond the 5-year period are extrapolated using a steady growth rate of 3%. This growth rate is based on the global economic growth rate and is the directors' best estimate on the average growth rate of this specific industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of any of the CGUs to exceed the aggregate recoverable amount of the relevant CGUs.

21. OTHER INTANGIBLE ASSETS

	Operating concessions HK$'000 (Note i)	Premium on prepaid lease payments HK$'000 (Note ii)	Trademark HK$'000 (Note iii)	Total HK$'000
COST				
At 1 January 2014	1,457,835	–	65,301	1,523,136
Exchange adjustments (restated)	(37,344)	(13)	(1,567)	(38,924)
Acquisition of Shanghai Investment (Note 40(II)) (restated)	–	1,752	–	1,752
Acquisition of other subsidiaries (Note 40(IV))	563,066	–	–	563,066
Additions	212,083	–	–	212,083
Government grant (Note 49)	(62,462)	–	–	(62,462)
Disposals	(29,380)	–	–	(29,380)
Disposal of subsidiaries (Note 41(III))	(37,880)	–	–	(37,880)
At 31 December 2014 (restated)	2,065,918	1,739	63,734	2,131,391
Exchange adjustments	(181,674)	(77)	(2,831)	(184,582)
Acquisition of Fudan Water (Note 40(I))	2,216,266	–	–	2,216,266
Additions	44,043	–	–	44,043
At 31 December 2015	4,144,553	1,662	60,903	4,207,118
AMORTISATION AND IMPAIRMENT				
At 1 January 2014	94,281	–	–	94,281
Exchange adjustments (restated)	(1,654)	(1)	–	(1,655)
Charged for the year (restated)	82,581	91	–	82,672
Eliminated on disposals	(6,375)	–	–	(6,375)
Eliminated on disposal of subsidiaries (Note 41(III))	(2,506)	–	–	(2,506)
At 31 December 2014 (restated)	166,327	90	–	166,417
Exchange adjustments	(7,963)	(7)	–	(7,970)
Charged for the year	129,892	89	–	129,981
At 31 December 2015	288,256	172	–	288,428
CARRYING VALUES				
At 31 December 2015	3,856,297	1,490	60,903	3,918,690
At 31 December 2014 (restated)	1,899,591	1,649	63,734	1,964,974

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21. OTHER INTANGIBLE ASSETS (Continued)

Notes:

(i) Operating concessions represent the rights to operate sewage treatment, water supply and waste incineration plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on straight-line basis over the respective periods of the operating concessions granted to the Group of 20 to 50 years. Details of these operating concessions are set out in Note 25.

(ii) Premium on prepaid lease payments represents the premium on acquisition of prepaid lease payments for land which is to be amortised over the period of the lease of the related prepaid lease payments on a straight-line basis.

(iii) The trademark has a legal life of 10 years from September 2011 to September 2021 and is renewable upon expiry. The directors of the Company are of the opinion that the Group will renew the trademark continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash inflow for the Group.

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

For the purpose of impairment testing, trademark with indefinite useful life set out above has been allocated to the individual CGU, comprising one subsidiary in the real estate segment. For the year ended 31 December 2015, management of the Group has determined that there is no impairment (2014: Nil) of the CGU containing trademark by reference to the recoverable amount of the CGU, which has been determined based on a value in use calculation.

22. INTERESTS IN JOINT VENTURES

	2015 **HK$'000**	2014 HK$'000
Cost of unlisted investments in joint ventures	2,361,408	1,986,502
Share of post-acquisition profits and other comprehensive income, net of dividends received/declared	973,388	989,845
	3,334,796	2,976,347
Loan to a joint venture (Note i)	–	374,906
	3,334,796	3,351,253

22. INTERESTS IN JOINT VENTURES (Continued)

Notes:

(i) As at 31 December 2014, loan to a joint venture was unsecured and carrying fixed interest at 6.3% per annum. The amount was capitalised as part of the cost of investment in the joint venture during the current year.

(ii) Summarised financial information in respect of each of the Group's material interests in joint ventures, namely 上海星河數碼投資有限公司 ("Shanghai Galaxy") and 中環保水務投資有限公司 (General Water of China Co., Ltd.) ("General Water"), is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

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

	Shanghai Galaxy		General Water	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Current assets	1,472,820	1,018,270	2,267,422	2,031,149
Non-current assets*	6,177,010	4,634,880	6,949,614	7,215,015
Current liabilities	(1,750,943)	(874,062)	(2,742,555)	(3,430,345)
Non-current liabilities	(4,040,578)	(2,923,539)	(1,701,649)	(1,938,779)
Non-controlling interests	(117,605)	(144,913)	(1,196,774)	(1,134,760)
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	222,853	197,279	1,084,228	1,048,191
Current financial liabilities (excluding trade and other payables and provisions)	–	–	(1,091,474)	(1,034,741)
Non-current financial liabilities (excluding trade and other payables and provisions)	(3,791,497)	(2,668,520)	(1,482,653)	(1,718,032)

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

	Shanghai Galaxy		General Water	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Revenue	496,791	338,459	1,788,550	1,793,965
Profit for the year	124,639	140,606	192,587	159,395
Other comprehensive (expense) income for the year	(79,707)	6,728	(105,762)	(65,704)
Total comprehensive income for the year	44,932	147,334	86,825	93,691
Dividends received from joint ventures during the year	–	–	–	–
The above profit for the year include the following:				
Depreciation and amortisation	(154,209)	(47,797)	(327,070)	(277,977)
Interest income	6,397	19,849	27,832	7,365
Interest expense	(210,578)	(101,324)	(152,347)	(167,712)
Income tax expense	(7,026)	(4,882)	(85,373)	(83,095)

22. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(ii) (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:

	Shanghai Galaxy		General Water	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Equity attributable to owners of the joint venture	1,740,704	1,710,636	3,576,058	2,742,280
Proportion of the Group's ownership interest	50%	50%	45%	45%
Carrying amount of the Group's interest in the joint venture	870,352	855,318	1,609,226	1,234,026

Aggregate information of joint ventures that are not individually material:

	2015 HK$'000	2014 HK$'000
The Group's share of profit	69,265	66,356
The Group's share of other comprehensive expense	(51,892)	(22,243)
The Group's share of total comprehensive income	17,373	44,113
Aggregate carrying amount of the Group's interests in these joint ventures	855,218	887,003

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

	2015 HK$'000	2014 HK$'000
Unrecognised share of profit of a joint venture for the year	(237)	(34)
Accumulated unrecognised share of losses of a joint venture	5,477	5,714

(iv) Details of the Group's principal joint ventures at the end of the reporting period are set out in Note 51.

23. INTERESTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Cost of unlisted investments in associates	2,731,382	2,598,850
Share of post-acquisition profits and other comprehensive income, net of dividends received/declared	17,762	130,880
	2,749,144	2,729,730
Less: Impairment loss recognised	(41,000)	(41,000)
	2,708,144	2,688,730
Interest in an associate classified as held for sale (Note 33(II))	–	(52,534)
	2,708,144	2,636,196

23. INTERESTS IN ASSOCIATES (Continued)

Notes:

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

	HK$'000
COST At 1 January 2014, 31 December 2014 and 31 December 2015	3,370
IMPAIRMENT At 1 January 2014, 31 December 2014 and 31 December 2015	–
CARRYING VALUES At 1 January 2014, 31 December 2014 and 31 December 2015	3,370

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

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

	Shanghai Shentian		Longjiang Environmental Protection	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Current assets*	4,370,919	3,859,140	1,645,034	1,056,897
Non-current assets**	1,830	3,443	5,375,712	5,472,872
Current liabilities	(437,950)	(51,035)	(3,132,018)	(2,349,711)
Non-current liabilities	(531,407)	(249,938)	(1,779,840)	(2,173,438)
Non-controlling interest	–	–	46,208	(6,628)

* The balances of Shanghai Shentian mainly comprise land costs relating to properties under development held for sale. The development plan was approved by the respective government departments in the PRC and the construction commenced in year 2014 and is expected to complete in the year 2017 onwards.

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

	Shanghai Shentian		Longjiang Environmental Protection	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000 (Note)
Revenue	–	–	1,354,667	305,109
Profit for the year	–	–	116,234	38,485
Other comprehensive expense for the year	(158,220)	(87,557)	(121,194)	(14,095)
Total comprehensive (expense) income for the year	(158,220)	(87,557)	(4,960)	24,390
Dividends received from the associate during the year	–	–	–	–

Note: The amounts represented results for the two months ended 31 December 2014 since the date Longjiang Environmental Protection became an associate of the Group.

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

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23. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(ii) (Continued)

	Shanghai Shentian		Longjiang Environmental Protection	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Equity attributable to owners of the associate	3,403,392	3,561,610	2,155,096	1,999,992
Proportion of the Group's ownership interest	35%	35%	42%	42%
Carrying amount of the Group's interest in the associate	1,191,187	1,246,564	907,595	842,247

Aggregate information of associates that are not individually material:

	2015 HK$'000	2014 HK$'000
The Group's share of (loss) profit	(25,775)	17,739
The Group's share of other comprehensive expense	(48,507)	(21,921)
The Group's share of total comprehensive expense	(74,282)	(4,182)
Aggregate carrying amount of the Group's interests in these associates	609,362	588,385

(iii) Details of the Group's principal associates at the end of the reporting period are set out in Note 52.

24. INVESTMENTS

	2015 HK$'000	2014 HK$'000
Available-for-sale investments		
Listed equity securities in		
– Hong Kong	253,812	226,718
– elsewhere	190,198	8,798
Unlisted equity securities in		
– Hong Kong (Note ii)	5	5
– elsewhere (Note ii)	748,544	769,659
Unlisted trust funds (Notes ii and iii)	46,573	62,484
	1,239,132	1,067,664
Investments held-for-trading		
Listed equity securities in		
– Hong Kong	169,976	156,564
– elsewhere	4,532	3,294
	174,508	159,858
Financial assets designated as at FVTPL		
– Structured deposits (Note iv)	223,106	267,858
	1,636,746	1,495,380

24. INVESTMENTS (Continued)

	2015 HK$'000	2014 HK$'000
Fair values of listed equity investments	618,518	395,374
Analysed for reporting purposes as:		
Current portion	444,187	490,200
Non-current portion	1,192,559	1,005,180
	1,636,746	1,495,380

Notes:

(i) At the end of the reporting period, except for those unlisted equity investments and unlisted trust funds, of which the fair values cannot be measured reliably, all available-for-sale investments and financial assets at FVTPL are stated at their fair values, which are determined by reference either to (a) bid prices quoted in active markets, or (b) prices provided by the respective issuing banks or financial institutions using valuation techniques.

(ii) The above investments in unlisted equity securities and trust funds are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

(iii) The trust funds invested in wide ranges of equity or debt investment products.

(iv) Structured deposits represented exchange rate linked notes and equity linked notes, which carried interest at variable rates, ranging from 0% to 8.0% (2014: 0% to 10.0%) and 0% to 9.15% (2014: Nil) per annum, respectively. Notional amounts of these structured deposits amounted to approximately HK$73 million (2014: HK$250 million) and HK$160 million (2014: Nil), respectively. These structured deposits will be matured within one year. Interest rates of these structured deposits vary depending on the movement of foreign exchange rate of Renminbi against United States dollar, the closing prices of the underlying listed securities at the respective maturity dates and those features constitute non-closely related embedded derivatives. Their fair values at the end of the reporting period are determined based quotes provided by the counterparty financial institutions.

25. SERVICE CONCESSION ARRANGEMENTS

In addition to the Group's toll road operating rights as disclosed in Note 19, the Group also has the following service concession arrangements.

(I) Nature of arrangements

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

25. SERVICE CONCESSION ARRANGEMENTS (Continued)

(I) Nature of arrangements (Continued)

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

At 31 December 2015, the Group had forty-two (2014: thirty-four) service concession arrangements on sewage treatment, four (2014: four) service concession arrangements on water treatment and distribution and one (2014: one) service concession arrangement on waste incineration. A summary of the major terms of the principal service concession arrangements is set out below:

Name of subsidiary as operator	Project name	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity tons/day	Service concession period
武漢漢西污水處理有限公司	Sewage treatment project in Hanxi, Wuhan	Wuhan, Hubei Province, the PRC	武漢市人民政府	BOT (Financial assets)	600,000	30 years from 2004 to 2034
濰坊市自來水有限公司	Water supply project in Weifang	Weifang, Shandong Province, the PRC	濰坊市人民政府	BOT (Intangible assets)	320,000	25 years from 2007 to 2032
惠州市南方水務有限公司	Phase I, phase II and phase III of water treatment project in Meihu, Huizhou	Huizhou, Guangdong Province, the PRC	惠州市環保局	BOT and TOT (Financial assets)	300,000	25 years from 2005 to 2030
武漢黃陂凱迪水務有限公司	Water supply project in Huangpi, Wuhan	Wuhan, Hubei Province, the PRC	武漢市黃陂區政府	BOT (Intangible assets)	280,000	30 years from 2008 to 2038
深圳市南方水務有限公司	Sewage treatment projects in Longgang District, Shenzhen	Shenzhen, Guangdong Province, the PRC	深圳市水務局	BOT (Financial assets)	280,000	22 years from 2009 to 2031
濰坊上實環境污水處理有限公司	Sewage treatment plant project in Weifang	Weifang, Shandong Province, the PRC	濰坊市人民政府	BOT (Financial assets)	300,000	30 years from 2015 to 2044
天門凱迪水務有限公司	Water supply project in Tianmen	Tianmen, Hubei Province, the PRC	天門市建設委員會	BOT and TOT (Intangible assets)	200,000	25 years from 2005 to 2030
余姚市小曹娥城市污水處理有限公司	Sewage treatment plant BOT project in Xiaocaoe, Yuyao	Xuyao, Zhejiang Province, the PRC	余姚市人民政府	BOT (Financial assets)	150,000	22 years from 2014 to 2036
黃石凱迪水務有限公司	Sewage treatment project in Cihu, Huangshi	Huangshi, Hubei Province, the PRC	黃石市市政公用局	BOT (Financial assets)	125,000	27 years from 2008 to 2035
郴州南方污水處理有限責任公司	Sewage treatment project in Chenzhou	Chenzhou, Hunan Province, the PRC	郴州市城市管理局	BOT (Financial assets)	120,000	25 years from 2003 to 2028

25. SERVICE CONCESSION ARRANGEMENTS (Continued)

(I) Nature of arrangements (Continued)

As explained in the accounting policy for "Service concession arrangements" set out in Note 4, a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (receivable under service concession arrangement) or a combination of both, as appropriate. The intangible asset component is detailed in Note 21, and the financial asset component is as follows:

	2015 HK$'000	2014 HK$'000
Receivables under service concession arrangements	6,036,880	4,516,923
Less: current portion classified as current assets	(166,658)	(137,176)
Non-current portion	5,870,222	4,379,747

During the year, the Group recognised interest income of HK$414,719,000 (2014: HK$272,660,000) and construction income of HK$644,604,000 (2014: HK$441,483,000) as revenue under the line item "income from infrastructure facilities" from service concession arrangements. The effective interest rate applied ranges from 5.40% to 13.00% (2014: 5.76% to 13.00%) per annum and the overall gross profit margin for construction contracts is at 12.5% (2014: 4.2%).

(II) Provision for major overhauls

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

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

	HK$'000
At 1 January 2014	77,810
Exchange adjustments	(1,263)
Additions	6,769
Utilisation	(4,382)
At 31 December 2014	78,934
Exchange adjustments	(2,196)
Additions	242
Utilisation	(4,686)
At 31 December 2015	72,294

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

At 31 December 2015, an amount of HK$344,146,000 represented a deposit paid by the Group on the acquisition 100% equity interest in Yiyang City Tap Water Co., Ltd.. The acquisition has been subsequently completed in March 2016.

The remaining amount represented deposits paid by the Group in connection with the acquisition of property, plant and equipment for the Group's new production facilities.

The related capital commitments are disclosed in Note 43.

27. OTHER NON-CURRENT RECEIVABLES

The amount represents loans advanced to a subsidiary of a tenant of one of the Group's investment properties (the "Borrower") through an entrusted loan agreement (the "EL Agreement") administrated by a trust company.

Pursuant to the EL Agreement, the Borrower was granted a loan facility of RMB182,600,000 which could be drawn down in any amounts and at any time after the date of the EL Agreement on 23 December 2014. The maturity date of each loan is five years from the date of utilisation of the facility. The Group has the right to request the Borrower to repay the loans and accrued interests in full or by instalments in twelve months before the maturity. The loans carry fixed interest rate at 10% per annum for the first and second year, 15% per annum for the third and fourth year and 18% per annum for the fifth year. The interests are payable in arrear semi-annually. The loans are secured by the registered share capital of the immediate and intermediate holding companies of the Borrower and these holding companies are principally engaged in commercial properties management.

As at 31 December 2015, a total amount of RMB163,186,000 (equivalent to HK$194,872,000) was drawn down by the Borrower and it will be repayable in 2020.

28. 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$'000	Amortisation of toll road operating rights HK$'000	EIT on revaluation of investment properties HK$'000	LAT on revaluation of investment properties HK$'000	Tax losses HK$'000	Fair value adjustments on business combinations HK$'000	Undistributed earnings of PRC entities HK$'000	EIT on fair value adjustments on properties under development/ properties held for sale HK$'000	LAT on properties under development/ properties held for sale HK$'000	Convertible bonds HK$'000	Other deferred tax liabilities HK$'000	Other deferred tax assets HK$'000	Total HK$'000
At 1 January 2014	178,496	332,361	1,070,430	1,381,256	(10,201)	1,947,489	240,732	298,676	139,177	58,853	106,047	(365,013)	5,378,303
Exchange adjustments (restated)	(3,255)	(7,923)	(37,808)	(32,882)	183	(44,762)	1,580	(6,978)	(3,211)	–	(12,586)	7,647	(139,995)
Additions through acquisition of Shanghai Investment (Note 40(II)) (restated)	–	–	–	–	–	609,968	–	–	–	–	–	(88,849)	521,119
Additions through acquisition of other subsidiaries (Note 40(IV))	–	–	1,030,851	–	–	89,916	–	–	–	–	–	–	1,120,767
Charged (credited) to profit or loss (restated)	10,560	(7,327)	(2,766)	(45,446)	2,379	(154,619)	94,083	(27,015)	(18,426)	(13,861)	(76,606)	(6,697)	(245,741)
At 31 December 2014 (restated)	185,801	317,111	2,060,707	1,302,928	(7,639)	2,447,992	336,395	264,683	117,540	44,992	16,855	(452,912)	6,634,453
Exchange adjustments	(1,330)	(13,712)	(79,122)	(67,083)	423	(123,197)	(3,254)	(11,335)	(4,949)	–	13,299	2,572	(287,688)
Additions through acquisition of a subsidiary (Note 41)	(3,487)	–	–	–	–	618,891	–	–	–	–	–	–	615,404
(Credited) charged to profit or loss	(3,330)	(15,477)	39,311	1,844	(3,103)	(92,250)	20,247	(13,210)	(8,522)	(43,783)	(33,100)	46,070	(105,303)
Charged to other comprehensive income	–	–	–	–	–	–	–	–	–	–	29,506	–	29,506
At 31 December 2015	177,654	287,922	2,020,896	1,237,689	(10,319)	2,851,436	353,388	240,138	104,069	1,209	26,560	(404,270)	6,886,372

Notes:

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

	2015 HK$'000	2014 HK$'000 (restated)
Deferred tax liabilities	7,303,466	7,047,548
Deferred tax assets	(417,094)	(413,095)
	6,886,372	6,634,453

(ii) At the end of the reporting period, the Group had unused tax losses of approximately HK$4,942.9 million (2014: HK$3,967.3 million) available for offset against future assessable profits. A deferred tax asset amounting to approximately HK$10.3 million (2014: HK$7.6 million) in respect of tax losses amounting to approximately HK$41.3 million (2014: HK$30.6 million) has been recognised. No deferred tax asset was recognised in respect of the remaining tax losses of approximately HK$4,901.6 million (2014: HK$3,936.7 million) due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK$13.8 million (2014: HK$20.4 million) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$4,929.1 million (2014: HK$3,946.9 million) will expire in various dates in the next five years.

28. DEFERRED TAXATION (Continued)

Notes: (Continued)

(iii) Under the Law of the PRC on EIT, withholding tax is imposed on dividends declared in respect of profits earned by PRC entities from 1 January 2008 onwards. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK$661 million (2014: HK$644 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

(iv) Other deferred tax liabilities mainly include deferred tax on fair value change of financial assets classified as held for trading. Other deferred tax assets include deferred tax on (a) impairment loss on bad and doubtful debts, (b) pre-operating expenses and (c) accrued expenses.

29. INVENTORIES

	2015 HK$'000	2014 HK$'000 (restated)
Properties under development held for sale	38,607,190	38,334,926
Properties held for sale	12,361,106	13,451,795
Raw materials	1,656,259	1,277,000
Work in progress	37,955	42,977
Finished goods	160,712	180,244
Merchandise held for resale	20,869	11,178
	52,844,091	53,298,120

At 31 December 2015, included in the above balance were properties under development held for sale of HK$25,920,066,000 (2014: HK$28,890,693,000, as restated) which are not expected to be realised within one year.

30. TRADE AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000 (restated)
Trade receivables	1,107,214	962,697
Less: allowance for doubtful debts	(43,395)	(27,959)
	1,063,819	934,738
Other receivables (Note vi)	9,536,680	6,523,433
Total trade and other receivables	10,600,499	7,458,171

Notes:

(i) Before accepting any new customer, the Group assesses the potential customer's credit quality by investigating their historical credit records and defines credit limits by customer. Credit sales are made to customers with good credit history and credit limits granted to customers are under regular review. Majority of the trade receivables that are neither past-due nor impaired has no default payment history.

(ii) The Group generally allows credit periods ranging from 30 days to 180 days to its trade customers, other than property buyers. For property sales, due to the nature of business, the Group generally grants no credit period to property buyers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximates the respective revenue recognition dates.

30. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(ii) (Continued)

	2015 HK$'000	2014 HK$'000 (restated)
Within 30 days	319,988	294,740
Within 31-60 days	182,919	260,654
Within 61-90 days	139,289	110,967
Within 91-180 days	180,503	96,075
Within 181-365 days	170,670	100,989
Over 365 days	70,450	71,313
	1,063,819	934,738

(iii) Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$348,664,000 (2014: HK$380,781,000), as restated) which were past due at the reporting date but for which the Group has not provided for impairment loss because management is of the opinion that the amounts will be fully recoverable as there has not been any significant deterioration in credit quality of the debtors. The Group does not hold any collateral over these balances.

(iv) Ageing of trade receivables which were past due but not impaired

	2015 HK$'000	2014 HK$'000 (restated)
31-60 days	98,402	143,978
61-90 days	22,429	30,780
91-180 days	54,191	63,161
181-365 days	139,408	93,153
Over 365 days	34,234	49,709
Total	348,664	380,781

(v) Movements in the allowance for doubtful debts

	2015 HK$'000	2014 HK$'000 (restated)
Balance at beginning of the year	27,959	18,827
Impairment losses recognised on receivables	17,497	13,381
Amounts written off as uncollectible	(335)	(61)
Amounts recovered during the year	(1,726)	(4,188)
Balance at end of the year	43,395	27,959

(vi) At 31 December 2015, included in other receivables were (a) consideration receivable of HK$2,627,284,000 as detailed in Note 41(I) (2014: Nil), (b) amounts of HK$3,824,118,000 (2014: HK$2,089,524,000) due from certain associates of which an amount of HK$3,597,225,000 (2014: HK$1,851,917,000) carries fixed interest at prevailing market interest rate and (c) a deposit paid on acquisition of a piece of land for property development for sale of HK$918,319,000 (2014: Nil).

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31. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2015 HK$'000	2014 HK$'000
Contracts in progress in relation to construction of sewage treatment, water supply and waste incineration plants at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	490,102	512,216
Less: progress billings	(432,965)	(455,398)
	57,137	56,818
Analysed for reporting purposes as:		
Amounts due from contract customers	82,135	87,499
Amounts due to contract customers	(24,998)	(30,681)
	57,137	56,818

As at 31 December 2015, retentions held by customers for contract works amounted to HK$4,917,000 (2014: HK$13,931,000). Advances received from customers for contract work amounted to HK$126,375,000 (2014: HK$109,950,000).

32. PLEDGED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH

(i) Bank deposits with maturity of less than one year of HK$362,252,000 (2014: HK$742,973,000) have been pledged to secure the Group's general banking facilities and are therefore classified as current assets. The pledged bank deposits carry interest at fixed interest rates, ranging from 0.35% to 3.25% (2014: 0.35% to 3.50%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

(ii) Short-term bank deposits with maturity of more than three months carry interest at market rates, ranging from of 0.70% to 5.00% (2014: 3.05% to 4.40%) per annum.

(iii) Bank balances (including bank deposits with maturity of less than three months) carry interest at market rates, ranging from 0.00% to 6.60% (2014: 0.00% to 6.00%) per annum.

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

	2015 HK$'000	2014 HK$'000
Renminbi	1,628,404	5,060,303
United States dollar	1,246,896	1,927,859
Hong Kong dollar	1,744,884	104,729

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

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

In August 2014, the Group resolved to dispose of its entire 100% equity interest in Bold Eagle Investment Limited, a wholly owned subsidiary of SI Urban Development, and its wholly owned subsidiaries including All Win Investment Limited and 中歐城開有限公司 (collectively referred to as the "Bold Eagle Group"). Subsequently on 10 February 2015, the Group entered into a share transfer agreement with an independent third party. Pursuant to the share transfer agreement, the Group agreed to dispose of its entire 100% equity interest in the Bold Eagle Group at a consideration of RMB940,000,000 (equivalent to HK$1,174,706,000). Bold Eagle Group is principally engaged in the business of property development in the PRC. A deposit of RMB80,000,000 (equivalent to HK$99,975,000) was received by the Group and had been included in other payables as at 31 December 2014 as set out in Note 34.

The major classes of assets and liabilities of the Bold Eagle Group, which were presented separately in the consolidated statement of financial position as at 31 December 2014 as held for sale, are as follows:

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

The above disposal was completed during the year ended 31 December 2015 and further details of the disposal are set out below:

	HK$'000
Consideration	
Cash received	1,074,731
Deposit received as at 31 December 2014 (Note 34)	99,975
Total consideration	1,174,706
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	131
Properties under development held for sale	722,133
Bank balances and cash	103
Other payables	(28)
Net assets disposed of	722,339
Gain on disposal	
Consideration	1,174,706
Net assets disposed of	(722,339)
	452,367
Net cash inflows arising on the disposal	
Cash consideration received	1,074,731
Less: bank balances and cash disposed of	(103)
	1,074,628

These subsidiaries disposed of during the year ended 31 December 2015 did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

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

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

In December 2014, the Group resolved to dispose of its entire 25% equity interest in an associate, namely 許昌永昌印務有限公司 (Xuchang Yongchang Printing Co., Ltd.) ("Xuchang Yongchang"). The interest in an associate, amounting to HK$52,534,000, had been classified as held for sale and presented separately in the consolidated statement of financial position as at 31 December 2014.

During the year ended 31 December 2015, the Group ceased to classify the associate as held for sale as the disposal plan is no longer considered as highly probable.

34. TRADE AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000 (restated)
Trade payables (Note i)	3,708,254	3,016,945
Consideration payables for acquisition of subsidiaries	2,993,929	5,083,979
Deposits received for identifying investment projects (Note ii)	1,633,628	–
Other payables (Note iii)	12,453,916	14,452,631
Total trade and other payables	20,789,727	22,553,555

Notes:

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

	2015 HK$'000	2014 HK$'000 (restated)
Within 30 days	743,706	484,307
Within 31-60 days	557,495	234,290
Within 61-90 days	755,497	175,273
Within 91-180 days	562,363	117,992
Within 181-365 days	683,017	792,495
Over 365 days	406,176	1,212,588
	3,708,254	3,016,945

(ii) On 6 May 2015, (i) SUD (as defined in Note 50), (ii) Urban Development Green Carbon (Tianjin) Equity Investment Fund (Limited Partnership) ("Green Carbon Fund"), in which SUD is a limited partner, (iii) an existing partner of Green Carbon Fund (the "Departing Partner"), and (iv) two other independent third parties (the "New Partners"), entered into an investment agreement. Pursuant to which, the New Partners committed to invest RMB1,668,000,000 (equivalent to HK$1,991,880,000) to Green Carbon Fund. During the year ended 31 December 2015, the New Partners invested RMB1,368,000,000 (equivalent to HK$1,633,628,000) into the Green Carbon Fund and the same amount was then advanced by Green Carbon Fund to SUD for the purpose of identifying investment opportunities on new projects.

As at 31 December 2015, in view of the fact that no potential new projects have been identified by SUD, SUD negotiated with the New Partners to dispose of its entire partnership interest in Green Carbon Fund to the New Partners. The negotiation is completed subsequent to the end of the reporting period and details are set out in Note 56(i).

(iii) Included in other payables as at 31 December 2015 were (a) amounts of HK$462,133,000 (2014: HK$386,268,000) due to Stated-owned Assets Supervisions and Administrations Commission of Shanghai Xuhai District (the "Xuhui SASAC") and entities controlled by the Xuhui SASAC (see Note 47(I)(f)), (b) amounts of HK$32,337,000 (2014: HK$125,606,000) due to certain fellow subsidiaries, which are unsecured and have no fixed terms of repayment, except for HK$29,993,000 as at 31 December 2014 (2015: Nil) which carried interest at a fixed rate of 4% (2015: N/A) per annum, the remaining balance is non-interest bearing, (c) an amount of HK$1,352,351,000 (2014: HK$1,183,988,000) due to a non-controlling shareholder of a subsidiary, which is unsecured, interest-free and repayable on demand, and (d) accrued expenditure on properties under development of HK$4,607,146,000 (2014: HK$4,761,223,000).

Included in other payables as at 31 December 2014 was an aggregate consideration received in advance for disposal of disposal group held for sale/assets classified as held for sale (see Note 33) of HK$99,975,000 (2015: Nil).

35. CUSTOMER DEPOSITS FROM SALES OF PROPERTIES

These represent proceeds received on property sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy. An amount of approximately HK$65 million (2014: HK$158 million, as restated) is expected to be recognised as revenue after more than one year.

36. BANK AND OTHER BORROWINGS

	2015 HK$'000	2014 HK$'000 (restated)
Bank loans	37,804,301	38,767,849
Other loans	7,130,681	3,251,310
	44,934,982	42,019,159
Analysed as:		
Secured	18,493,828	17,661,816
Unsecured	26,441,154	24,357,343
	44,934,982	42,019,159
Carrying amount repayable:		
Within one year	10,977,611	18,456,862
More than one year but not more than two years	8,243,858	4,439,727
More than two years but not more than five years	20,278,197	16,035,320
Over five years	5,435,316	3,087,250
	44,934,982	42,019,159
Less: amounts due within one year shown under current liabilities	(10,977,611)	(18,456,862)
	33,957,371	23,562,297

Notes:

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

	2015 HK$'000	2014 HK$'000 (restated)
Fixed-rate borrowings:		
Within one year	5,055,729	5,312,423
More than one year but not more than two years	226,894	658,168
More than two years but not more than three years	1,948,890	129,968
More than three years but not more than four years	11,942	–
More than four years but not more than five years	11,942	–
More than five years	2,176,214	–
	9,431,611	6,100,559

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

	2015	2014
Effective interest rate:		
Fixed-rate borrowings	1.20% to 9.00%	3.40% to 7.20%
Variable-rate borrowings	1.52% to 7.80%	1.26% to 8.16%

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36. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(iii) Included in the Group's bank borrowings is an amount of HK$6,596 million (2014: HK$6,596 million) drawn under syndicated loan facilities of HK$7,000 million (2014: HK$6,600 million) obtained by the Group. Transaction costs of approximately HK$102 million (2014: HK$65 million) which were directly attributable to such bank borrowings were deducted from the fair values of the bank borrowings on initial recognition. At 31 December 2015, the carrying value of such bank borrowings was approximately HK$6,529 million (2014: HK$6,554 million).

(iv) Included in other loans are advanced bonds (the "Bonds") with an aggregate amount of HK$6,294,232,000 (2014: HK$1,866,362,000) issued by non-wholly owned subsidiaries of the Group in the PRC in 2012 and 2015, which are listed on Shanghai Stock Exchange. The Bonds are unsecured and have maturities of three to seven years falling due between 2018 and 2022. The Bonds carry interest at fixed rates of 4.47% to 6.50% per annum or a variable rate of Shanghai Interbank Offered Rate plus 1.55% per annum (2014: a fixed rate of 6.50% per annum). Transaction costs with an aggregate amount of HK$56,146,000 (2014: HK$33,194,000) are directly deducted from the carrying amount of the Bonds on initial recognition and the range of effective interest rates applied to the Bonds is 4.71% to 7.19% per annum (2014: 7.19% per annum).

(v) Certain bank facilities granted to the Group include requirements that (a) SIIC retains management control over the Company and holds not less than 35% of the Company's voting capital and (b) SIIC remains under the control of the Shanghai Municipal People's Government.

37. CONVERTIBLE BONDS

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

The principal terms of CB 2018 are as follows:

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

The holders of CB 2018 have the option to require the Issuer to redeem all or some only of CB 2018 on 18 February 2016 at a pre-determined redemption amount ("Holders' Redemption Option"). As a result, CB 2018 was classified under current liabilities as at 31 December 2015.

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

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

During the year ended 31 December 2015, the Issuer repurchased part of the CB 2018 with a principal amount of HK$323,000,000 at a consideration of HK$329,315,000. The consideration paid is allocated to the liability and equity components of CB 2018 using the method adopted on initial recognition of CB 2018, and having completed the allocation of the repurchase price, a loss of HK$352,000 on extinguishment of the liability component is recognised in profit or loss, and an amount of HK$5,608,000 for equity component is credited to retained profits. At 31 December 2015, the outstanding principal amount of CB 2018 was HK$3,577,000,000 (2014: HK$3,900,000,000).

37. CONVERTIBLE BONDS (Continued)

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

	Liability component HK$'000	Equity component HK$'000
At 1 January 2014	3,742,607	114,442
Interest charged	84,006	–
At 31 December 2014	3,826,613	114,442
Interest charged	177,466	–
Repurchase	(322,236)	(9,486)
At 31 December 2015	3,681,843	104,956

Subsequently on 18 February 2016, certain CB 2018 holders exercised their Holders' Redemption Option and the Issuer redeemed and cancelled a principal amount of HK$3,437,000,000 of CB 2018, representing approximately 88.13% of the initial principal amount of CB 2018, for a consideration of HK$3,541,408,000, in accordance with the terms and conditions of the CB 2018.

38. SHARE CAPITAL/SHARE PREMIUM AND RESERVES

	Number of ordinary shares	Amount HK$'000
Authorised:		
At 1 January 2014		
– Ordinary shares of HK$0.10 each	2,000,000,000	200,000
At 31 December 2014 and 31 December 2015	Note (i)	Note (i)
Ordinary shares, issued and fully paid:		
At 1 January 2014	1,082,751,600	108,275
Exercise of share options (Note (iii))	10,000	114
Transfer from share premium and capital redemption reserve upon abolition of par value (Note (ii))	–	13,419,438
At 31 December 2014	1,082,761,600	13,527,827
Exercise of share options (Note (iii))	3,586,000	88,062
Shares repurchase (Note (iv))	(497,000)	–
At 31 December 2015	1,085,850,600	13,615,889

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38. SHARE CAPITAL/SHARE PREMIUM AND RESERVES (Continued)

Notes:

(i) Under the CO (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlements of any of the shareholders as a result of this transition.

(ii) In accordance with the transitional provision as set out in section 37 of schedule 11 to CO (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and capital redemption reserve has become part of the Company's share capital.

(iii) During the year ended 31 December 2015, the Company issued 3,568,000 (2014: 10,000) shares to the option holders who exercised their share options at the exercise prices of HK$22.71 or HK$23.69 (2014: HK$22.71) under the SIHL Scheme (as defined in Note 39). These new shares rank pari passu in all respects with other shares in issue.

(iv) During the year ended 31 December 2015, the Company repurchased 497,000 (2014: Nil) of its own shares at a consideration of HK$9,906,000 through the Stock Exchange. The amount was deducted directly in retained profits and no gain or loss is recognised in profit or loss.

39. SHARE-BASED PAYMENT TRANSACTIONS

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

(I) SIHL Scheme

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

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

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

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

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

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(I) SIHL Scheme (Continued)

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

(b) As at 31 December 2015, the number of shares in respect of which options were granted and which remained outstanding was 14,641,000 (2014: 42,327,000), representing 1.3% (2014: 3.9%) of the shares of the Company in issue at that date.

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

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2014	Exercised during the year	Cancelled during the year	Outstanding at 31.12.2014	Exercised during the year	Cancelled during the year	Lapsed during the year	**Outstanding at 31.12.2015**
November 2010	36.60	24,070,000	–	(120,000)	23,950,000	–	–	(23,950,000)	–
September 2011	22.71	17,243,000	(10,000)	–	17,233,000	(3,582,000)	(150,000)	–	13,501,000
May 2012	23.69	1,144,000	–	–	1,144,000	(4,000)	–	–	1,140,000
		42,457,000	(10,000)	(120,000)	42,327,000	(3,586,000)	(150,000)	(23,950,000)	14,641,000
Exercisable at the end of the year					42,327,000				14,641,000
Weighted average exercise price		30.61	22.71	36.60	30.60	22.71	22.71	36.51	22.79

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

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2014	Reclassified during the year	Outstanding at 31.12.2014	Lapsed during the year	**Outstanding at 31.12.2015**
November 2010	36.60	3,460,000	(750,000)	2,710,000	(2,710,000)	–
September 2011	22.71	2,768,000	(600,000)	2,168,000	–	2,168,000
May 2012	23.69	600,000	–	600,000	–	600,000
		6,828,000	(1,350,000)	5,478,000	(2,710,000)	2,768,000
Exercisable at the end of the year				5,478,000		2,768,000
Weighted average exercise price		29.83	30.43	29.89	36.60	22.92

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39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(I) SIHL Scheme (Continued)

(b) (Continued)

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

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

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

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

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

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

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$29.43 (2014: HK$28.13). Total consideration received for shares issued upon exercise of share options, net of direct issue costs of HK$16,600 (2014: HK$11,200), was HK$81,425,000 (2014: HK$215,000).

(c) During the year ended 31 December 2014, the Group recognised an expense of HK$164,000 (2015: Nil) for the year in relation to the share options granted with reference to the respective vesting periods, of which HK$78,000 (2015: Nil) was related to options granted to the Group's employees and shown as employee benefits expense, and the remaining balance represents share-based payment expense for eligible participants other than employees.

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(II) SIHL New Scheme

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

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

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

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

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

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

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

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(III) SI Urban Development Scheme

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

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

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

(b) As at 31 December 2015, the number of shares of SI Urban Development in respect of which options were granted and which remained outstanding was 42,750,000 (2014: 57,750,000), representing 0.9% (2014: 1.2%) of the shares of SI Urban Development in issue at that date.

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

Grantees	Month of grant	Exercised price per share HK$	Outstanding at 1.1.2014	Reclassified during the year	Outstanding at 31.12.2014	Cancelled during the year	**Outstanding at 31.12.2015**
Directors of SI Urban Development, who are also directors of the Company	September 2010	2.98	7,000,000	8,000,000	15,000,000	(8,000,000)	7,000,000
Other directors of SI Urban Development	September 2010	2.98	31,000,000	(8,000,000)	23,000,000	–	23,000,000
Employees of SI Urban Development	September 2010	2.98	12,750,000	–	12,750,000	–	12,750,000
Others	September 2010	2.98	7,000,000	–	7,000,000	(7,000,000)	–
			57,750,000	–	57,750,000	(15,000,000)	42,750,000
Exercisable at the end of the year					57,750,000		42,750,000

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(III) SI Urban Development Scheme (Continued)

(b) (Continued)

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

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

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

(IV) SI Urban Development New Scheme

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

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

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

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

(V) SI Environment Scheme

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

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

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

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(V) SI Environment Scheme (Continued)

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

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

During both years, no options were granted or outstanding under the SI Environment Scheme.

40. ACQUISITION OF SUBSIDIARIES

(I) Acquisition of Fudan Water during the year ended 31 December 2015

In May 2015, SI Environment completed its acquisition of an indirect 92.15% equity interest in 上海復旦水務工程技術有限公司 (Fudan Water Engineering and Technology Co., Ltd.) ("Fudan Water") through acquisition of entire interest of immediate holding company of Fudan Water, from certain independent third parties. Fudan Water is principally engaged in the business of waste water treatment in the PRC. Fudan Water was acquired so as to continue the expansion of the Group's water-related business.

The consideration for the acquisition is RMB2,116,508,000 (equivalent to HK$2,644,973,000), which includes (i) the novation of shareholders' loan of RMB479,180,000 (equivalent to HK$598,825,000); (ii) cash consideration of RMB146,882,000 (equivalent to HK$183,557,000) and (iii) the allotment and issue of an aggregate of 1,560,000,000 ordinary shares of SI Environment. The fair value of consideration shares at the date of acquisition amounted to HK$1,862,591,000 based on the closing market price in the SGX-ST at the date of acquisition.

Consideration transferred	**HK$'000**
Cash	782,382
Consideration shares	1,862,591
	2,644,973
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	3,917
Other intangible assets	2,216,266
Receivables under service concession arrangements	1,035,710
Interests in associates	112,743
Investments	625
Inventories	14
Trade and other receivables	229,000
Pledged bank deposits	4,999
Bank balances and cash	34,391
Trade and other payables	(176,323)
Taxation payable	(1,793)
Bank and other borrowings	(83,729)
Amount due to intermediate holding companies	(598,825)
Deferred tax liabilities	(615,404)
	2,161,591

40. ACQUISITION OF SUBSIDIARIES (Continued)

(I) Acquisition of Fudan Water during the year ended 31 December 2015 (Continued)

	HK$'000
Goodwill arising on acquisition	
Consideration transferred	2,644,973
Add: non-controlling interests	674,915
Less: net assets acquired	(2,161,591)
Less: shareholders' loan novated	(598,825)
	559,472
Net cash outflow arising on acquisition	
Cash consideration paid	782,382
Less: bank balances and cash acquired	(34,391)
	747,991

The non-controlling interests in Fudan Water recognised at the acquisition date was measured with reference to the non-controlling interests' proportionate share of the fair value of the net assets of Fudan Water at that date.

Goodwill arose in the acquisition of Fudan Water because the cost of the combination effectively included amounts in relation to the benefit of expected revenue growth, future market development and the assembled workforce of Fudan Water. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Included in the profit for year ended 31 December 2015 were revenue of HK$146,971,000 and profit of HK$40,818,000 attributable to the additional business generated by Fudan Water.

Had the acquisition been completed on 1 January 2015, total group revenue for the current year would have been HK$19,826,493,000, and profit for the year would have been HK$3,685,300,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

40. ACQUISITION OF SUBSIDIARIES (Continued)

(II) Acquisition of Shanghai Investment during the year ended 31 December 2014 (restated)

Upon the acquisition of Shanghai Investment by the Group from SIIC and the adoption of merger accounting as detailed in Note 2, the acquisition of Shanghai Investment by SIIC on 1 July 2014 was deemed as an acquisition by the Group on that date.

On 1 July 2014, SIIC acquired 100% equity interest in Shanghai Investment from Shanghai International Group Co., Ltd., an entity controlled by Shanghai SASAC, at a cash consideration of RMB3,257,417,000 (equivalent to HK$4,099,442,000).

	HK$'000
Cash consideration borne by SIIC	4,099,442
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	4,690
Other intangible assets	1,752
Deferred tax assets	88,849
Inventories	7,673,192
Trade and other receivables	2,863,645
Bank balances and cash	1,417,075
Trade and other payables	(1,313,682)
Customer deposits from sales of properties	(4,222,884)
Taxation payable	(81,882)
Bank and other borrowings	(1,412,571)
Deferred tax liabilities	(609,968)
	4,408,216
Goodwill arising on acquisition	
Cash consideration borne by SIIC	4,099,442
Add: non-controlling interests	308,774
Less: net assets acquired	(4,408,216)
	–
Cash inflow arising on acquisition	
Bank balances and cash acquired	1,417,075

40. ACQUISITION OF SUBSIDIARIES (Continued)

(III) Acquisition of Continental Land during the year ended 31 December 2014

On 25 September 2014, Advantage World Investment Limited ("AWI"), a wholly owned subsidiary of SI Urban Development, acquired the entire issued share capital of Continental Land Development Limited ("Continental Land") and the shareholders' loans (the "Shareholders' Loans") from certain independent third parties at a total cash consideration of US$579,328,000 (equivalent to HK$4,518,760,000) (the "Acquisition"). Continental Land and its 99% equity interest held PRC subsidiary, namely 上海世界貿易商城有限公司 ("Shanghai World Trade") (collectively referred to as "Continental Land Group"), is engaged in the business of property development, property investment and hotel operations in the PRC. Continental Land Group was acquired so as to continue the expansion of the Group's property investment portfolio.

After completion of the Acquisition, a share subscription agreement was signed on the same date by AWI and an independent third party (the "Subscriber"). Pursuant to the share subscription agreement, the Subscriber agreed to subscribe for, and AWI agreed to allot and issue the subscription shares, representing 49% of the enlarged issue share capital of AWI at the aggregated subscription price of US$49 (equivalent to approximately to HK$380) (the "Share Subscription"). The Share Subscription was completed on 25 September 2014.

Consideration transferred

	HK$'000
Cash paid	2,623,886
Deferred cash consideration (Note)	451,876
Consideration for acquisition of Continental Land	3,075,762
Cash paid for assignment of the Shareholders' Loan	1,442,998
Total consideration	4,518,760

Note: Included in cash consideration of US$579,328,000 (equivalent to HK$4,518,760,000), an amount of US$57,933,000 (equivalent to HK$451,876,000) was withheld by the Group during the year ended 31 December 2014 for (i) the payment of other obligations and any tax obligations of the sellers owed to the PRC tax bureau authorities arising from their disposal of the Continental Land and (ii) the payment of any potential claims by the Group against the sellers within one year from the date of the sale and purchase agreement. As at 31 December 2015, the outstanding amount of US$7,213,000 (equivalent to HK$56,261,000) is included in other payables (2014: USD57,933,000 (equivalent to HK$451,876,000)). The outstanding amount is expected to be settled within one year.

Acquisition-related costs amounting to HK$34,275,000 were excluded from the consideration transferred and recognised as an expense in the consolidated statement of profit or loss.

40. ACQUISITION OF SUBSIDIARIES (Continued)

(III) Acquisition of Continental Land during the year ended 31 December 2014 (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	3,384
Investment properties	6,583,206
Trade and other receivables	102,007
Bank balances and cash	121,256
Trade and other payables	(1,617,700)
Taxation payable	(10,043)
Bank and other borrowings	(1,031,016)
Deferred tax liabilities	(1,030,851)
	3,120,243
Less: Non-controlling interests	(44,481)
Total consideration	3,075,762

Net cash outflow arising on the acquisition

	HK$'000
Cash consideration paid	4,066,884
Less: bank balances and cash acquired	(121,256)
	3,945,628

The Group subsequently acquired the remaining 1.0% equity interest of Shanghai World Trade from a non-controlling shareholder for a cash consideration of RMB72,419,000 (equivalent to HK$92,274,000). The acquisition was completed on 18 November 2014.

The acquisition, without changing the Group's control over Shanghai World Trade was accounted for as an equity transaction. The difference between the fair value of cash consideration of HK$92,274,000 and 1.0% of share of net assets by the non-controlling shareholder of HK$44,957,000 amounting to HK$47,317,000 was recognised directly in equity as other reserve and attributable to owners of the Company.

40. ACQUISITION OF SUBSIDIARIES (Continued)

(IV) Acquisition of other subsidiaries

During the year ended 31 December 2015, the Group also acquired the following subsidiaries.

(i) In April 2015, SI Development acquired 90% equity interest in 湖南豐盛房地產開發有限公司 ("Hunan Feng Sheng") from certain independent third parties for an aggregate cash consideration of RMB18,584,000 (equivalent to HK$23,224,000). Hunan Feng Sheng is principally engaged in the business of property development and sales in the PRC.

(ii) In July 2015, the Group acquired 70% equity interest in 青島永發模塑有限公司 (Qingdao Wing Fat Molded Fibre Co., Ltd.) ("Qingdao Wing Fat") from certain independent third parties for an aggregate cash consideration of RMB56,000,000 (equivalent to HK$68,276,000). Qingdao Wing Fat is principally engaged in the business of manufacture and sales of molded fiber goods in the PRC.

During the year ended 31 December 2014, the Group also acquired the following subsidiaries for the expansion of water-related business.

(i) In February 2014, the Group acquired 100% equity interest in Gold Wisdom Holdings Limited, (which together with its subsidiaries, are collectively referred to as the "Gold Wisdom Group") from an independent third party for a consideration of RMB119 million (equivalent to approximately HK$148 million). The Gold Wisdom Group is principally engaged in the business of refuse disposal and waste incineration power generation in the PRC.

(ii) In February 2014, the Group acquired 100% equity interest in Shanghai Qingpu Second Waste Water Treatment Plant Co., Ltd. ("Shanghai Qingpu") from an independent third party for a consideration of RMB180 million (equivalent to approximately HK$225 million). Shanghai Qingpu is engaged principally in the business of waste water treatment in the PRC.

(iii) In September 2014, the Group acquired 100% equity interest in Dongguan Shijie Shayao Water Purification Co., Ltd. ("Dongguan Shijie") from an independent third party for a consideration of RMB87,985,000 (equivalent to approximately HK$111 million). Dongguan Shijie is engaged principally in the business of waste water treatment in the PRC.

(iv) In September 2014, the Group acquired 100% equity interest in Dongguan Fenggang Yantian Fangzhong Water Services Co., Ltd. ("Dongguan Fenggang") from an independent third party for a consideration of RMB78,570,000 (equivalent to approximately HK$101 million). Dongguan Fenggang is engaged principally in the business of waste water treatment in the PRC.

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40. ACQUISITION OF SUBSIDIARIES (Continued)

(IV) Acquisition of other subsidiaries (Continued)

	2015 Hunan Feng Sheng HK$'000	2015 Qingdao Wing Fat HK$'000	2015 Total HK$'000	2014 Total HK$'000
Consideration transferred				
Cash	23,224	68,276	91,500	326,144
Deferred consideration	–	–	–	101,577
Deposit paid on acquisition of a subsidiary	–	–	–	157,227
	23,224	68,276	91,500	584,948
Assets acquired and liabilities recognised at the date of acquisition are as follows:				
Property, plant and equipment	114	23,672	23,786	15,475
Other intangible assets	–	–	–	563,066
Receivables under service concession arrangements	–	–	–	658,392
Deferred tax assets	–	–	–	4,885
Inventories	375,603	–	375,603	814
Trade and other receivables	251,954	45,145	297,099	122,256
Prepaid taxation	247	–	247	–
Pledged bank deposits	–	–	–	7,550
Bank balances and cash	6,895	–	6,895	38,755
Trade and other payables	(394,658)	(25,901)	(420,559)	(249,803)
Taxation payable	–	–	–	(402)
Bank and other borrowings	(216,196)	–	(216,196)	(475,664)
Deferred tax liabilities	–	–	–	(94,801)
	23,959	42,916	66,875	590,523
Goodwill (bargain purchase gain) arising on acquisition				
Consideration transferred	23,224	68,276	91,500	584,948
Add: non-controlling interests	735	12,875	13,610	–
Less: net assets acquired	(23,959)	(42,916)	(66,875)	(590,523)
	–	38,235	38,235	(5,575)
Net cash outflow arising on acquisition				
Cash consideration paid	23,224	68,276	91,500	326,144
Less: bank balances and cash acquired	(6,895)	–	(6,895)	(38,755)
	16,329	68,276	84,605	287,389

40. ACQUISITION OF SUBSIDIARIES (Continued)

(IV) Acquisition of other subsidiaries (Continued)

The non-controlling interests of 10% and 30% in Hunan Feng Sheng and Qingdao Wing Fat respectively recognised at the acquisition date were measured with reference to the non-controlling interests' proportionate share of the fair value of the net assets at that date.

Goodwill arose in the acquisition of Qingdao Wing Fat because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

During the year ended 31 December 2014, the Group recognised a bargain purchase gain arising on acquisition of Shanghai Qingpu, amounting to HK$5,575,000, which was included in other income, gains and losses.

The directors of the Company are of the opinion that the above subsidiaries acquired had no significant contribution to the Group's revenue or financial performance for each of the years ended 31 December 2015 and 2014.

41. DISPOSAL OF SUBSIDIARIES

(I) Disposal of subsidiaries during the year ended 31 December 2015

(i) On 28 December 2015, Neo-China Land Group (China) Ltd ("Neo-China Land Group"), a wholly owned subsidiary of SI Urban Development, and an independent third party entered into a sale and purchase agreement (the "S&P Agreement"). Pursuant to which, Neo-China Land Group agreed to dispose of its entire 100% equity interest in Neo-China Real Estate (Shanghai) Limited ("Neo-China Real Estate"), and to assign Neo-China Real Estate's shareholder loan of RMB2,677,800,000 (equivalent to HK$3,197,755,000) for a total consideration of RMB3,100,000,000 (equivalent to HK$3,701,935,000) (collectively referred to as the "Disposal"). The Disposal was completed at the date of signing the S&P Agreement which was on 28 December 2015 (the "Disposal Date"). RMB100,000,000 (equivalent to HK$119,417,000) of the total consideration was received as a deposit upon signing the letter of intent on 29 September 2015, RMB799,912,634 (equivalent to HK$955,234,000) of the total consideration was received on the Disposal Date and the remaining RMB2,200,087,366 (equivalent to approximately HK$2,627,284,000) of the total consideration (i.e. consideration receivable see Note 30 (vi)(a)) would be received within 180 days from the Disposal Date in accordance with the terms of the S&P Agreement.

According to the S&P Agreement, the purchaser is required to pay a daily interest on the consideration receivable from the Disposal Date until the consideration receivable is settled in full. The daily interest rate is calculated on the basis of (i) for the first 90 days after the Disposal Date, the People's Bank of China Benchmark Lending Rate as of the Disposal Date and divided by 365 days; and (ii) thereafter, a daily interest rate of 0.05%.

Neo-China Real Estate is principally engaged in property development in a piece of land located at Qiao Island, Zhuhai City (珠海市淇澳島) in the PRC with a gross site area of 2,215,516 square metres and the land was intended to be developed into a mixed use complex comprising commercial property and residential villas (the "Zhuhai Qiao Island Project").

(ii) In September 2015, SI Development disposed of its entire equity interest in a subsidiary, namely 哈爾濱上實置業有限公司 ("Harbin S.I. Properties"), to an independent third party for a consideration of RMB62,085,000 (equivalent to HK$75,621,000). Harbin S.I. Properties is principally engaged in the business of property development and sales in the PRC.

41. DISPOSAL OF SUBSIDIARIES (Continued)

(II) Disposal of subsidiaries during the year ended 31 December 2014

(i) In March 2014, SI Environment disposed of its 52% equity interest in a subsidiary, namely 昆明南方水務有限公司 ("Kunming Nanfang"), to a non-controlling shareholder of Kunming Nanfang for a consideration of RMB14,503,000 (equivalent to HK$18,296,000). Kunming Nanfang is principally engaged in the business of sewage treatment and water supply in the PRC.

(ii) In April 2014, SI Development disposed of its 80% equity interest in a subsidiary, namely 重慶華新國際城市有限公司 ("Chongqing Huaxin"), to a non-controlling shareholder of Chongqing Huaxin for a consideration of RMB35,360,000 (equivalent to HK$43,450,000). Chongqing Huaxin is principally engaged in the business of property development and sales in the PRC.

(iii) In August 2014, SI Environment disposed of its entire equity interest in a subsidiary, namely 武漢凱迪水務有限公司 ("Wuhan Kaidi"), to independent third parties for a consideration of RMB16,782,000 (equivalent to HK$21,099,000). Wuhan Kaidi is principally engaged in the business of waste water treatment in the PRC.

(iv) In December 2014, SI Urban Development disposed of its 40% held associate, 天津市億嘉合置業有限公司 ("Tianjin Yijiahe") through disposal of certain of its wholly owned subsidiaries, to an independent third party at a consideration of RMB366,000,000 (equivalent to HK$462,553,000).

(III) Further details of the consideration, and assets and liabilities disposed of in respect of the disposed subsidiaries during the years ended 31 December 2014 and 2015 are set out below:

	2015			
	Zhuhai Qiao Island Project HK$'000	Harbin S.I. Properties HK$'000	Total HK$'000	2014 Total HK$'000
Consideration				
Cash received	1,074,651	77,587	1,152,238	545,398
Consideration receivable (Notes i & 30(vi))	2,627,284	–	2,627,284	–
Total consideration	3,701,935	77,587	3,779,522	545,398

41. DISPOSAL OF SUBSIDIARIES (Continued)

(III) (Continued)

	2015 Zhuhai Qiao Island Project HK$'000	2015 Harbin S.I. Properties HK$'000	2015 Total HK$'000	2014 Total HK$'000
Analysis of assets and liabilities over which control was lost				
Property, plant and equipment	126	–	126	366
Other intangible assets	–	–	–	35,374
Interest in an associate	–	–	–	188,738
Deferred tax assets	–	–	–	840
Inventories	2,665,163	–	2,665,163	704
Trade and other receivables	140	75,477	75,617	118,627
Pledged bank deposits	–	–	–	4,190
Bank balances and cash	1,336	424	1,760	33,006
Trade and other payables	–	(26)	(26)	(78,160)
Consideration payables for acquisition of subsidiaries	(160,070)	–	(160,070)	–
Taxation payable	–	(8)	(8)	(1,490)
Net assets disposed of	2,506,695	75,867	2,582,562	302,195
Gain (loss) on disposal				
Consideration	3,701,935	77,587	3,779,522	545,398
Net assets disposed of	(2,506,695)	(75,867)	(2,582,562)	(302,195)
Non-controlling interests	–	–	–	37,946
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	–	(1,965)	(1,965)	984
	1,195,240	(245)	1,194,995	282,133
Net cash inflow arising on disposal				
Cash consideration received	1,074,651	77,587	1,152,238	545,398
Less: bank balances and cash disposed of	(1,336)	(424)	(1,760)	(33,006)
	1,073,315	77,163	1,150,478	512,392

41. DISPOSAL OF SUBSIDIARIES (Continued)

(III) (Continued)

Notes:

(i) The consideration receivable will be settled in cash by instalments and would be settled in full on or before 27 June 2016. As security for the payment of consideration receivable, the purchaser entered into a share charge dated 28 December 2015 in favour of Neo-China Land Group in respect of the entire issued share capital of Neo-China Real Estate. The parties agreed that the issued share capital of Neo-China Real Estate would be increased after the Disposal Date by the purchaser subscribing for new shares in Neo-China Real Estate, and then Neo-China Land Group would release the share charge in respect of 29% of the enlarged issued share capital of Neo-China Real Estate. The share charge would be released in full following the full payment by the purchaser of the consideration receivable. In the event that the purchaser fails to pay the consideration receivable within 180 days from the Disposal Date, Neo-China Land Group is entitled to terminate the S&P Agreement. Up to the date of this report, a consideration receivable of HK$1,150,000,000 has been received.

(ii) Except for the Zhuhai Qiao Island Project, the subsidiaries disposed of during both years did not have any significant contribution to the financial performance and cash flows of the Group during the period prior to the disposals.

42. OPERATING LEASES

(I) The Group 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:

	2015 HK$'000	2014 HK$'000
Within one year	100,633	98,253
In the second to fifth year inclusive	69,871	66,018
After five years	58,557	54,291
	229,061	218,562

Notes:

(i) Operating lease payments represent rentals payable by the Group for certain office and factory properties. Leases are negotiated for an average term of 20 years and rentals are fixed for a lease term of 1 to 5 years.

(ii) Included in the above are operating lease commitments for land and buildings payable by the Group to the ultimate holding company and certain fellow subsidiaries as follows:

	2015 HK$'000	2014 HK$'000
Within one year	48,434	37,040
In the second to fifth year inclusive	8,157	374
	56,591	37,414

42. OPERATING LEASES (Continued)

(II) The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties and land and buildings:

	2015 HK$'000	2014 HK$'000
Within one year	759,574	542,807
In the second to fifth year inclusive	1,771,169	1,912,407
After five years	1,135,508	1,434,677
	3,666,251	3,889,891

Note: Included in the above are operating lease commitments for investment properties of approximately HK$16.6 million (2014: HK$15.3 million) receivable by the Group from certain fellow subsidiaries within one year.

43. CAPITAL COMMITMENTS

	2015 HK$'000	2014 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	109,330	27,329
– additions in construction in progress	694,134	152,413
– additions in properties under development held for sale	4,665,502	6,758,911
– investment in an associate	57,320	59,985
– investment in a joint venture	–	374,906
	5,526,286	7,373,544
Capital expenditure authorised but not contracted for in respect of additions in construction in progress	191,476	101,768

In addition to the above, the Group's share of capital commitments of a joint venture is as follows:

	2015 HK$'000	2014 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of investment in a joint venture	–	73,107

44. CONTINGENT LIABILITIES

(a) Guarantees:

	2015 HK$'000	2014 HK$'000
Guarantees given to banks in respect of banking facilities utilised by		
– property buyers	2,553,957	1,669,786
– an entity controlled by the Xuhui SASAC	263,912	269,933
– joint ventures	1,029,708	837,169
	3,847,577	2,776,888

As at 31 December 2015, the Company granted financial guarantees to the extent of approximately HK$9,722 million (2014: HK$10,371 million) to banks in respect of banking facilities granted to its subsidiaries, out of which approximately HK$6,596 million (2014: HK$9,946 million) were utilised.

(b) Two of the non-wholly owned subsidiaries of the Group, SI Urban Development and Neo-China Real Estate, were defendants to a claim by a third party regarding non-payment of certain outstanding consideration which had been accrued but unpaid by the Group as at 31 December 2014. The third party claim also included liquidated damage which amounted to approximately HK$275 million up to 25 July 2012 and which was to be accumulated at a daily rate of HK$162,000 thereafter until settlement. The directors of the Company, after taking advice from the management of SI Urban Development which had consulted its legal advisers, was of the opinion that it had good ground for withholding the payment of the outstanding consideration and that it was pre-mature to estimate the outcome of the third party claim. Accordingly, no provision for the liquidated damage had been made as at 31 December 2014.

During the year ended 31 December 2015, SI Urban Development disposed of Neo-China Real Estate, and pursuant to the S&P Agreement, the purchaser undertook to procure the settlement or withdrawal of the claim by the plaintiff. Subject to the successful settlement or withdrawal of the claim, SI Urban Development agreed to bear and pay RMB64,000,000 (equivalent to HK$76,427,000) and if the plaintiff sues SI Urban Development again on the same matter after the settlement or withdrawal of the claim, the purchaser agreed to bear the entire legal risk and responsibility in relation thereto. The amount of HK$76,427,000 was recognised in profit or loss and included in other payables as at 31 December 2015.

45. PLEDGE OF ASSETS

The following assets were pledged by the Group to banks to secure banking facilities granted by these banks to the Group:

(i) investment properties with an aggregate carrying value of HK$12,613,259,000 (2014: HK$12,456,886,000);

(ii) leasehold land and buildings with an aggregate carrying value of HK$1,569,254,000 (2014: HK$1,664,858,000);

(iii) plant and machineries with an aggregate carrying value of HK$25,529,000 (2014: HK$30,956,000);

(iv) One (2014: One) toll road operating right with a carrying value of HK$2,778,489,000 (2014: HK$3,095,721,000);

(v) receivables under service concession arrangements with an aggregate carrying value of HK$2,440,439,000 (2014: HK$2,553,891,000);

(vi) properties under development held for sale with an aggregate carrying value of HK$8,279,494,000 (2014: HK$8,443,487,000);

(vii) properties held for sale with an aggregate carrying value of HK$1,541,220,000 (2014: HK$129,768,000);

(viii) trade receivables with an aggregate carrying value of HK$188,229,000 (2014: HK$192,098,000); and

(ix) bank deposits with an aggregate carrying value of HK$362,252,000 (2014: HK$742,973,000).

46. RETIREMENT BENEFITS SCHEMES

The Company and its subsidiaries in Hong Kong operate a defined contribution retirement benefits scheme for their qualifying employees pursuant to the Occupational Retirement Schemes Ordinance. To comply with the Mandatory Provident Fund Schemes Ordinance, a Mandatory Provident Fund Scheme was also established. The assets of both schemes are held separately in funds which are under the control of independent trustees. The retirement benefits schemes contributions charged to the consolidated statement of profit or loss represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the end of the reporting period, no forfeited contributions were available to reduce the contribution payable in future years.

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47. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected persons

(a) During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions with the connected parties during the year, and significant balances with them at the end of the reporting period, are as follows:

Connected persons	Nature of transactions and balances	2015 HK$'000	2014 HK$'000
Transactions			
Ultimate holding company	Rentals paid by the Group on land and buildings (Note b)	1,850	1,888
Fellow subsidiaries	Rentals and management fee paid by the Group on land and buildings (Note b)	49,307	45,669
	Loans provided to the Group (Note c)	–	695,655
	Interest paid by the Group (Note c)	–	49,126
Joint venture	Loan provided by the Group (Note d)	417,960	249,938
	Investment income received by the Group (Note e)	–	20,123
Balances			
Non-controlling shareholders of subsidiary:			
The Xuhui SASAC and entities controlled by the Xuhui SASAC	Non-trade payables by the Group (Note f)	462,133	386,268

(b) The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent was equivalent or approximate to the open market rentals as certified by an independent firm of professional property valuers when the tenancy agreements were entered into.

Details of operating lease commitments with commented parties are set out in Note 42.

47. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(c) On 30 April 2011 and 30 April 2012, Shanghai Feng Mao Properties Co., Ltd. ("Feng Mao Shanghai") and Feng Qi Shanghai entered into loan agreements and new loan agreements with SIIC Shanghai respectively. Pursuant to which, SIIC Shanghai has granted loans of RMB552,768,000 (equivalent to HK$679,577,000) to Feng Mao Shanghai (the "Feng Mao Shanghai Loan") and RMB496,878,000 (equivalent to HK$610,865,000) to Feng Qi Shanghai (the "Feng Qi Shanghai Loan"). Such loans were for a term of one year from 1 May 2011 to 30 April 2012 and further extended to 30 April 2013.

On 30 April 2013, the Feng Mao Shanghai Loan of RMB552,768,000 (equivalent to HK$707,770,000) and the Feng Qi Shanghai Loan of RMB473,249,000 (equivalent to HK$605,953,000) were extended for a further term of one year from 1 May 2013 to 30 April 2014.

On 30 April 2014, the Feng Mao Shanghai Loan of RMB552,768,000 (equivalent to HK$690,787,000) was extended for a further term of one year from 1 May 2014 to 30 April 2015. The Shanghai Feng Mao Loan together with interest was settled in November 2014.

Upon completion of disposal of Feng Qi Group in January 2014, Feng Qi Shanghai was no longer a subsidiary of the Company and the Feng Qi Shanghai Loan ceased to be a continuing connected transaction of the Company since January 2014.

The Feng Mao Shanghai Loan carried interest at the prevailing interest rate for the loan charged by the bank payable quarterly and its terms were determined and agreed by the corresponding party.

(d) In September 2014, 上海滬寧高速公路(上海段)發展有限公司(Shanghai Hu-Ning Expressway (Shanghai Section) Company Limited) ("Shanghai Hu-Ning Expressway"), a wholly owned subsidiary of the Company entered into a shareholder's loan agreement with Shanghai Galaxy, a non-wholly owned subsidiary of SIIC. Pursuant to which, Shanghai Hu-Ning Expressway has agreed to lend, and Shanghai Galaxy has agreed to borrow, a shareholder's loan in an amount of RMB200,000,000 (equivalent to HK$238,834,000). In April 2015, both parties entered into a second shareholder's loan agreement, in terms of which Shanghai Hu-Ning Expressway has agreed to lend, and Shanghai Galaxy has agreed to borrow, an additional shareholder's loan in an amount of RMB150,000,000 (equivalent to HK$179,126,000).

(e) On 23 May 2011, Shanghai Hu-Ning Expressway, entered into an asset management entrustment agreement with Shanghai Galaxy. The amount of funds entrusted to Shanghai Galaxy during the year for the provision of assets management services amounted to RMB400 million (equivalent to approximately HK$503 million) (2015: Nil), which was fully settled during the year ended 31 December 2014.

Regarding this entrusted fund, Shanghai Galaxy has guaranteed a return to Shanghai Hu-Ning Expressway amounting to 8% of the fund entrusted. During the year ended 31 December 2014, the investment income from this guaranteed return amounted to HK$20,123,000 (2015: Nil).

(f) The amounts due to the Xuhui SASAC and entities controlled by the Xuhui SASAC are unsecured. An amount of approximately HK$78,815,000 (2014: HK$82,479,000) included in the balances as at 31 December 2015 represents loan advanced from an entity controlled by the Xuhui SASAC through an entrusted loan agreement administrated by a bank, which carries fixed interest at 12.5% per annum (2014: 12.5%) per annum and are repayable within one year. The remaining balances are unsecured, non-interest bearing and repayable on demand.

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47. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(g) Pursuant to an agreement dated 26 December 2002 and the supplemental agreements dated 15 December 2009 and 6 December 2012 entered into between Xuhui State-owned Assets Management Co. Ltd. ("State-owned Management Company") and Shanghai Urban Development Co., Ltd. ("Shanghai Urban Development"), a subsidiary of SI Urban Development (the "Cross Guarantee Agreement"), the parties thereto agree to guarantee each other's obligations in respect of certain loans/facilities obtained by them from time to time from banks or credit unions to the extent of not more than RMB1,200 million, and the limit has been reduced to RMB400 million from 1 January 2013 onwards. In respect of those guarantees which have already been entered into by State-owned Management Company and Shanghai Urban Development pursuant to the Cross Guarantee Agreement, they will continue until the underlying loans/facilities mature/expire and all amounts owed are fully repaid.

On 9 February 2015, the parties entered into a new supplemental agreement and the limit has been reduced to RMB332 million from 1 January 2016 onwards.

As at 31 December 2015, the total amount of loans/facilities obtained by State-owned Management Company in respect of which guarantees were provided by Shanghai Urban Development amounted to approximately RMB166 million (equivalent to approximately HK$198 million) (2014: RMB216 million (equivalent to approximately HK$270 million)).

The provision of the aforesaid guarantees by Shanghai Urban Development constitutes non-exempt continuing connected transactions for the Company. Upon any variation of the Cross Guarantee Agreement, the Company shall then have the obligation to comply in full all applicable reporting, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

(h) On 28 April 2015, SI Development and 上海上投資產經營有限公司("Shanghai Assets"), a subsidiary of SIIC, entered into a share subscription agreement (the "First SI Development Share Issuance Contract"), pursuant to which SI Development agreed to issue, and Shanghai Asset agreed to subscribe for, 85,470,085 shares of SI Development, representing approximately 7.89% of SI Development's then total issued shares or 5.35% of the enlarged total issued shares, at an issue price of RMB11.7 per share for a consideration of RMB999,999,994.50. The consideration shall be payable by Shanghai Asset to SI Development in cash.

Subsequent to a dividend on ordinary shares distributed by SI Development in July 2015, the issue price for shares in SI Development under the First SI Development Share Issuance Contract has been adjusted from RMB11.70 to RMB11.63 per share pursuant to the price adjustment mechanism under the First SI Development Share Issuance Contract. As a result of the adjustment to the issue price and based on the total subscription amount to be paid by Shanghai Asset under the First SI Development Share Issuance Contract, the number of ordinary shares in SI Development to be issued to Shanghai Asset will be adjusted accordingly. As the number of shares to be issued must be a whole number, the final total subscription amount (being the product of the number of shares to be issued and the adjusted issue price per share) to be paid by Shanghai Asset will be adjusted slightly from RMB999,999,994.50 to RMB999,999,990.86.

As detailed in Note 56(ii), the placing of ordinary shares in SI Development to Shanghai Asset pursuant to the First SI Development Share Issuance Contract was subsequently completed on 22 January 2016.

47. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(i) On 28 April 2015, SI Development and SIIC Shanghai entered into an equity transfer agreement, pursuant to which SIIC Shanghai agreed to sell, and SI Development agreed to purchase, 100% equity interest in Shanghai Investment for a consideration of RMB3.4 billion. The consideration shall be payable by SI Development to SIIC Shanghai with funds raised from the issuance of new shares of SI Development by SI Development as detailed above. On 15 May 2015, SI Development and SIIC Shanghai entered into a supplement agreement to amend the final consideration to RMB3,432,703,000. The acquisition was completed on 22 December 2015 as detailed in Note 2.

(j) On 28 April 2015, SI Development and an independent third party (the "Seller") entered into a share subscription agreement, pursuant to which SI Development agreed to issue and allot 20,000,000 ordinary shares in SI Development to the Seller, for a consideration of RMB234 million. The consideration shall be payable by the Seller to SI Development partly by 9,181,978 shares in Longchuang, being 19.13% of the equity interest in Longchuang and the balance in cash. On the same day, SI Development and certain other Longchuang shareholders entered into a share transfer agreement, pursuant to which the other Longchuang shareholders agreed to sell, and SI Development agreed to purchase, 42.35% equity interest in Longchuang for a consideration of RMB308,344,000. The consideration shall be payable by SI Development with funds raised from the issuance of new shares of SI Development by SI Development. Upon completion of the above-mentioned acquisition, SI Development will make capital contribution of RMB200 million to Longchuang. After such, SI Development will altogether hold 69.78% equity interests in Longchuang. The above transactions are subsequently completed in January 2016.

(k) At 31 December 2015, a bank borrowing amounting to approximately RMB500 million (equivalent to approximately HK$597 million) (2014: RMB500 million (equivalent to approximately HK$625 million)) was secured by properties owned by the Group and a fellow subsidiary of the Group.

(l) In June 2014, the Group acquired 75% and 25% equity interests in 永發（上海）模塑科技發展有限公司("Wing Fat Molded") (previously named as上海勝利醫療器械有限公司) from a fellow subsidiary and an independent third party for considerations of RMB8,506,000 (equivalent to HK$10,609,000) and RMB2,835,000 (equivalent to HK$3,536,000), respectively. Wing Fat Molded is principally engaged in the business of production of medical equipment and paper packaging products. As Wing Fat Molded is an entity under common control by SIIC, the Group accounted for this transaction using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. Further details of these transactions are set out in the Company's announcement dated 4 June 2014.

(m) Details of amounts due to certain fellow subsidiaries are set out in Note 34.

47. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(II) Related parties, other than connected persons

In addition to the transactions set out in Note 47(I) above, the significant transactions with other related parties during the year, and significant balances with them at the end of the reporting period, are as follows:

Related parties	Nature of transactions and balances	2015 HK$'000	2014 HK$'000
Joint ventures:			
General Water	Interest income received by the Group	–	9,217
Shanghai Galaxy	Interest income received by the Group	23,140	4,066
Associates:			
泉州市上實投資發展有限公司	Interest income received by the Group	63,811	88,998
上海城開地產經紀有限公司 (Shanghai Urban Development Real Estate Agency Co., Ltd.)	Property agency fees paid by the Group	22,401	55,062
	Trade payables by the Group	58,007	71,978

Details of loan to a joint venture, General Water, and amounts due from (to) associates are set out in Notes 22, 30 and 34, respectively.

(III) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2015 HK$'000	2014 HK$'000
Short-term benefits	29,716	30,087
Share-based payments	–	86
	29,716	30,173

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

48. MATERIAL TRANSACTIONS AND BALANCES WITH GOVERNMENT RELATED ENTITIES

The Group itself is part of a larger group of companies under SIIC, which is controlled by the PRC government. The directors consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predenominated by entities controlled, jointly controlled or significantly influenced by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed in Note 47, the Group also conducts business with other government related entities in the ordinary course of business. In the opinion of the directors of the Company, these transactions are considered as individually and collectively insignificant to the operation of the Group. The directors consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

49. GOVERNMENT GRANTS

During the year ended 31 December 2015, government grants of approximately HK$51.0 million (2014: HK$48.5 million) were received from local government as compensation for the decrease of toll fee income on a discretionary basis. Business and other taxes refund from local tax authorities of approximately HK$105.2 million (2014: HK$88.8 million) were also received in the current year. Besides, amount of approximately HK$43.3 million (2014: HK$28.5 million) was received as incentives for investments in certain provinces in the PRC. These amounts have been included in other income.

During the year ended 31 December 2014, the Group received government subsidies of approximately RMB50 million (equivalent to approximately HK$62 million) (2015: Nil) for its operating concession arrangements in the PRC. The amount has been deducted from the carrying amount of operating concessions (included in other intangible assets) and will be transferred to income in the form of reduced amortisation charges over the remaining useful lives of operating concessions.

During the year ended 31 December 2014, the Group received a government subsidy of RMB189 million (equivalent to approximately HK$236 million) to subsidise the capital expenditure incurred by the Group related to a properties under development held for sale in the PRC. The amount has been deducted from the carrying amount of the related property development project and will be transferred to income in the form of reduced cost of inventories recognised as an expense.

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50. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries 2015	2014	Principal activities
SI Development (Note i)	The PRC	A shares – RMB1,083,370,873	63.65%	63.65%	Property development and investment
SI Urban Development (Note ii)	Bermuda/ The PRC	Ordinary shares – HK$192,461,000	69.95%	69.95%	Property development and investment
Shanghai Hu-Ning Expressway (Note iii)	The PRC	RMB3,000,000,000	100%	100%	Holding of the right to operate a toll road
上海路橋發展有限公司 (Shanghai Luqiao Development Co., Ltd.) (Note iii)	The PRC	RMB1,600,000,000	100%	100%	Holding of the right to operate a toll road
上海申渝公路建設發展有限公司 (Shanghai Shen-Yu Development Co., Ltd.) (Note iii)	The PRC	RMB1,200,000,000	100%	100%	Holding of the right to operate a toll road
SI Environment (Note iv)	The Republic of Singapore/ The PRC	Ordinary shares – RMB4,861,138,000 (2014: RMB2,512,500,000)	35.55% (Note 5)	41.85% (Note 5)	Sewage treatment and water supply
S.I. Infrastructure Holdings Limited ("S.I. Infrastructure")	The British Virgin Islands/ Hong Kong	Ordinary share – US$1	100%	100%	Investment holding
SIHL Treasury Limited ("SIHL Treasury")	Hong Kong	Ordinary shares – HK$2	100%	100%	Investment
Nanyang Tobacco (Marketing) Company, Limited	The British Virgin Islands/PRC and Macau	Ordinary shares – US$1 – HK$100,000,000	100%	100%	Sale and marketing of cigarettes and raw materials sourcing
Nanyang Brothers Tobacco Company, Limited	Hong Kong	Ordinary shares – HK$2 Non-voting deferred shares – HK$8,000,000 (Note vi)	100% –	100% –	Manufacture and sale of cigarettes
The Wing Fat Printing Company, Limited	Hong Kong	Ordinary shares – HK$83,030,000	93.74%	93.72%	Manufacture and sale of packaging materials and printed products
Tong Jie Limited ("Tong Jie")	The British Virgin Islands/ Hong Kong	Ordinary share – US$1	100%	100%	Issue of convertible bonds

50. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(i) This company is listed on the A Shares Market of the Shanghai Stock Exchange.
(ii) This company is listed on the Main Board of the Stock Exchange.
(iii) These companies were established in the PRC as wholly foreign owned enterprises.
(iv) This company is listed on the Mainboard of the SGX-ST.
(v) Except for S.I. Infrastructure, SIHL Treasury and Tong Jie, all the above subsidiaries are indirectly held by the Company.
(vi) None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.
(vii) Other than as disclosed in Note 37, none of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.
(viii) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. These subsidiaries are mainly dormant companies or subsidiaries principally engaged in investment holding.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	**2015 HK$'000**	2014 HK$'000 (restated)	**2015 HK$'000**	2014 HK$'000 (restated)
SI Development	The PRC	36.35%	36.35%	221,127	443,021	2,119,003	2,138,294
SI Urban Development	Bermuda/ The PRC	30.05%	30.05%	151,867	95,779	3,213,434	3,219,370
Shanghai Urban Development (Holdings) Co., Ltd. ("SUD"), a subsidiary of SI Urban Development	The PRC	41%	41%	32,973	402,656	6,697,155	7,122,110
SI Environment	The Republic of Singapore/ The PRC	64.45% (Note 5)	58.15% (Note 5)	266,800	173,974	4,518,834	2,963,633
Individually immaterial subsidiaries with non-controlling interests						2,713,190	2,760,361
						19,261,616	18,203,768

50. PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	SI Development (Consolidated)		SI Urban Development (Consolidated, including SUD)		SUD (Consolidated)		SI Environment (Consolidated)	
	2015 HK$'000	2014 HK$'000 (restated)	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Current assets	29,497,817	31,039,454	48,191,695	41,570,210	31,154,167	26,794,435	2,443,474	2,467,415
Non-current assets	4,650,972	4,855,491	16,189,366	16,615,422	6,238,267	5,087,114	12,498,554	8,092,444
Current liabilities	(15,193,160)	(19,023,869)	(25,780,889)	(23,815,980)	(13,371,799)	(10,656,773)	(4,526,964)	(2,808,819)
Non-current liabilities	(11,673,501)	(9,174,919)	(18,826,792)	(13,983,069)	(10,326,693)	(6,884,378)	(2,360,090)	(2,186,586)
Equity attributable to owners of the Company	4,225,704	4,244,434	9,582,101	9,537,170	6,996,787	7,218,288	2,254,043	1,868,089
Non-controlling interests	2,119,003	2,138,294	3,213,434	3,219,370	6,697,155	7,122,110	4,518,834	2,963,633
Revenue	7,583,985	5,920,205	3,871,923	7,773,636	2,185,457	5,582,387	2,204,904	1,610,142
Profit for the year	711,038	1,215,360	527,854	737,006	43,230	827,222	511,274	407,137
Other comprehensive income (expense) for the year	276,130	170,897	(884,410)	(441,183)	(535,181)	(362,496)	(338,219)	(171,101)
Total comprehensive income (expense) for the year	987,168	1,386,257	(356,556)	295,823	(491,951)	464,726	173,055	236,036
Profit for the year attributable to the owners of the Company	387,200	732,738	353,386	222,444	10,257	424,566	165,384	143,451
Profit for the year attributable to the non-controlling interests	221,127	443,021	151,867	95,779	32,973	402,656	266,800	173,974
Total comprehensive income (expense) for the year attributable to the owners of the Company	579,778	841,183	(251,357)	48,935	(305,500)	210,693	39,532	66,732
Total comprehensive income (expense) for the year attributable to the non-controlling interests	304,679	507,806	213,662	21,241	(186,451)	254,033	54,433	79,592
Dividends paid to non-controlling interests	475,096	24,607	63,669	–	–	–	–	–
Net cash (outflow) inflow from operating activities	(1,665,591)	(2,052,286)	190,660	(3,101,107)	2,410,235	(1,020,117)	(78,542)	356,242
Net cash (outflow) inflow from investing activities	(590,764)	(235,338)	4,140,479	(1,702,430)	23,368	319,680	(1,124,086)	(1,666,569)
Net cash inflow from financing activities	2,011,661	608,436	947,560	5,440,346	1,013,500	413,868	809,375	385,276
Net cash (outflow) inflow	(244,694)	(1,679,188)	5,278,699	636,809	3,447,103	(286,569)	(393,253)	(925,051)

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51. PRINCIPAL JOINT VENTURES

Particulars of the Group's principal joint ventures at 31 December 2015 and 2014 are as follows:

Name of joint venture	Place of establishment/ operations	Percentage of registered capital attributable to the Group 2015	2014	Principal activities
Shanghai Galaxy	The PRC	50%	50%	Operation of photovoltaic related business in the PRC and provision of asset management services
General Water	The PRC	45%	45%	Joint investment and operation of water-related and environment protection business in the PRC

Notes:

(i) The above joint ventures are indirectly held by the Company and the Group has members in the board of directors of the respective entities.

(ii) The above table lists the joint ventures of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

52. PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31 December 2015 and 2014, which are all established in the PRC, are as follows:

Name of associate	Form of entity	Percentage of registered capital attributable to the Group 2015	2014	Principal activities
Longjiang Environmental Protection	Sino-foreign joint venture	25.8% (Note i)	27.4% (Note i)	Operating of water related and environment protection business in the PRC
Shanghai Shentian	Sino-foreign joint venture	14.5% (Note ii)	14.5% (Note ii)	Property development

52. PRINCIPAL ASSOCIATES (Continued)

Notes:

(i) This is a 25.3% owned associate of SI Environment, in which the Group owns 35.55% (2014: 41.85%) equity interest as at 31 December 2015. In addition to the Group directly held 16.8% equity interest, the Group totally owns 25.8% (2014: 27.4%) equity interest.

(ii) This is a 35% owned associate of SUD, in which the Group indirectly owns 59% equity interest through SI Urban Development, a 69.95% owned subsidiary.

(iii) The above associates are indirectly held by the Company.

(iv) The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

53. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker (i.e. the board of directors of the Company) for the purposes of resource allocation and performance assessment, are as follows:

Infrastructure facilities – investment in toll road projects and water-related business

Real estate – property development and investment and hotel operation

Consumer products – manufacture and sale of cigarettes, packaging materials and printed products

Infrastructure facilities, real estate and consumer products also represent the Group's reportable segments.

53. SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 31 December 2015

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
REVENUE					
Segment revenue – external sales	4,348,739	11,455,908	3,889,035	–	19,693,682
Segment operating profit (loss)	1,834,639	2,585,050	1,254,899	(204,557)	5,470,031
Finance costs	(244,724)	(1,321,978)	(2,915)	(43,909)	(1,613,526)
Share of results of joint ventures	178,208	–	–	–	178,208
Share of results of associates	45,712	(26,461)	3,923	–	23,174
Net gain on disposal of interests in other subsidiaries and an associate	–	1,648,502	–	–	1,648,502
Segment profit (loss) before taxation	1,813,835	2,885,113	1,255,907	(248,466)	5,706,389
Income tax expense	(388,331)	(1,491,739)	(193,603)	2,648	(2,071,025)
Segment profit (loss) after taxation	1,425,504	1,393,374	1,062,304	(245,818)	3,635,364
Less: segment profit attributable to non-controlling interests	(345,889)	(505,407)	(13,900)	–	(865,196)
Segment profit (loss) after taxation attributable to owners of the Company	1,079,615	887,967	1,048,404	(245,818)	2,770,168

53. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2014

	Infrastructure facilities HK$'000	Real estate HK$'000 (restated)	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000 (restated)
REVENUE					
Segment revenue – external sales	3,680,795	13,693,840	3,958,382	–	21,333,017
Segment operating profit (loss)	1,768,346	3,617,776	1,308,324	(217,627)	6,476,819
Finance costs	(222,362)	(1,091,692)	(4,127)	(44,086)	(1,362,267)
Share of results of joint ventures	165,508	–	–	–	165,508
Share of results of associates	16,059	(3,753)	21,640	–	33,946
Gain on disposal of the Feng Qi Group	–	1,716,165	–	–	1,716,165
Net gain on disposal of interests in other subsidiaries and associates/ deemed partial disposal of interest in a joint venture	22,343	275,545	–	4,423	302,311
Impairment loss on available-for-sale investments	–	(318,652)	–	(23,775)	(342,427)
Segment profit (loss) before taxation	1,749,894	4,195,389	1,325,837	(281,065)	6,990,055
Income tax expense	(346,694)	(1,979,801)	(229,405)	(76,912)	(2,632,812)
Segment profit (loss) after taxation	1,403,200	2,215,588	1,096,432	(357,977)	4,357,243
Less: segment profit attributable to non-controlling interests	(263,686)	(979,735)	(17,566)	–	(1,260,987)
Segment profit (loss) after taxation attributable to owners of the Company	1,139,514	1,235,853	1,078,866	(357,977)	3,096,256

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4.

53. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	At 31 December 2015				
	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment assets	30,761,174	98,589,637	6,786,259	6,756,856	142,893,926
Segment liabilities	6,918,118	67,393,771	765,268	12,527,055	87,604,212

	At 31 December 2014				
	Infrastructure facilities HK$'000	Real estate HK$'000 (restated)	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000 (restated)
Segment assets	27,781,199	94,140,423	6,682,930	9,562,649	138,167,201
Segment liabilities	6,988,154	62,206,199	840,348	14,700,309	84,735,010

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than corporate bank balances and cash, certain investments, certain interests in joint ventures and some other unallocated assets; and
- all liabilities are allocated to operating segments other than corporate tax liabilities, corporate bank borrowings, convertible bonds and some other unallocated liabilities.

Other segment information

2015

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	2,292,274	63,388	119,795	1,630	2,477,087
Depreciation and amortisation	933,684	149,474	165,019	1,643	1,249,820
Impairment loss on bad and doubtful debts	8,117	37	9,343	–	17,497
Impairment loss on properties held for sale	–	31,911	–	–	31,911
Interests in joint ventures	3,269,078	65,718	–	–	3,334,796
Interests in associates	1,011,401	1,593,923	102,820	–	2,708,144

53. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

2014

	Infrastructure facilities HK$'000	Real estate HK$'000 (restated)	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000 (restated)
Amounts included in the measurement of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	793,018	6,614,842	249,849	236	7,657,945
Depreciation and amortisation	850,029	142,684	171,272	2,245	1,166,230
Impairment loss on bad and doubtful debts	5,582	118	7,681	–	13,381
Impairment loss on properties held for sale	–	160,144	–	–	160,144
Interests in joint ventures	2,910,629	65,718	–	374,906	3,351,253
Interests in associates	860,301	1,681,608	94,287	–	2,636,196

Note: Non-current assets excluded those classified as held for sale and excluded financial instruments, goodwill and deferred tax assets.

Geographical information

The Group's operations are mainly located in Hong Kong (place of domicile) and the PRC.

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

	Revenue from external customers	
	2015 HK$'000	2014 HK$'000 (restated)
PRC	17,300,995	19,027,033
Asia areas, other than Hong Kong and the PRC	1,182,824	1,202,918
Hong Kong (place of domicile)	852,808	752,550
Other areas	357,055	350,516
	19,693,682	21,333,017

53. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

	Non-current assets (Note)	
	2015 HK$'000	2014 HK$'000 (restated)
PRC	34,212,760	34,164,987
Hong Kong (place of domicile)	1,585,526	1,529,191
	35,798,286	35,694,178

Note: Non-current assets excluded those classified as held for sale, interests in joint ventures and associates, financial instruments and deferred tax assets.

Information about major customers

No individual customer contributed to over 10% of the total revenue of the Group for both years.

54. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in Notes 36 and 37, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, repurchase of shares as well as the issue of new debt or the redemption of existing debt.

55. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 HK$'000	2014 HK$'000 (restated)
Financial assets		
At fair value through profit or loss		
Held for trading	174,508	159,858
Designated as at FVTPL	223,106	267,858
Loans and receivables (including cash and cash equivalents)	43,576,004	40,114,725
Available-for-sale investments	1,239,132	1,067,664
Financial liabilities		
Amortised cost	60,051,649	60,385,339

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, financial assets at FVTPL, trade and other receivables, receivables under service concession arrangements, consideration receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables, bank and other borrowings and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC and Hong Kong and the exposure in exchange rate risks mainly arise from fluctuations in United States dollar, Singapore dollar, Hong Kong dollar and Renminbi exchange rates. The management monitors foreign currency exposure, especially in view of the current depreciation risk for Renminbi. The management will also consider hedging significant foreign currency exposure and adopting suitable measures where necessary in order to mitigate impacts due to the depreciation of the Renminbi to the Group.

The carrying amounts of the Group's monetary assets and monetary liabilities at the reporting date that are denominated in currencies other than the functional currency of the group entities ("foreign currency") are as follows:

	Assets		Liabilities	
	2015 **HK$'000**	2014 HK$'000	**2015** **HK$'000**	2014 HK$'000
Renminbi (against Hong Kong dollar)	1,640,587	5,078,080	1,196,689	1,251,748
United States dollar (against Hong Kong dollar and Renminbi)	1,295,616	2,012,840	7,955,924	6,612,495
Hong Kong dollar (against Renminbi)	1,747,767	106,906	3,210,958	3,419,189

The above foreign currency denominated monetary assets and monetary liabilities mainly represent the Group's trade and other receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables and bank and other borrowings.

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in the functional currency of each group entity against the above foreign currency. 5% (2014: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% (2014: 5%) increase in foreign currency rates. A (negative) positive number below indicates (a decrease) an increase in profit after taxation where the above foreign currency strengthens 5% against the functional currency of each group entity.

	2015 **HK$'000**	2014 HK$'000
Decrease in profit after taxation	(349,851)	(210,317)

(ii) Interest rate risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. The Group's receivables under service concession arrangements, pledged bank deposits, fixed-rate amounts due from/to certain fellow subsidiaries/associates, loan to a joint venture, amount due from/to Xuhui SASAC and entities controlled by Xuhui SASAC, fixed-rate bank and other borrowings and convertible bonds have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. The Group's bank balances and variable-rate bank and other borrowings also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate.

In order to exercise prudent management against interest rate risks, the Group continues to review market trends against its business operations and financial position in order to arrange the most interest rate risk management tools.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and short-term bank deposits (collectively referred to as the "Bank Deposits") and variable-rate borrowings at the end of the reporting period. The sensitivity analysis does not consider the effect of interest expenses qualified for capitalisation.

For variable-rate borrowings and Bank Deposits, the analysis is prepared assuming that the amount of asset/liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point and 10 basis point (2014: 50 basis point and 10 basis point), respectively, increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis point and 10 basis point (2014: 50 basis point and 10 basis point) higher/lower and all other were variables were held constant, the Group's profit after taxation for the year would decrease/increase by HK$135,392,000 (2014: HK$133,909,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate Bank Deposits and borrowings.

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Price risk

The Group is exposed to price risks through its listed investments classified as either available-for-sale investments or financial assets at FVTPL. The management strictly monitors this exposure by maintaining a portfolio of investments with different levels of risks. The Group's price risks is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, a special team has been appointed by the management to monitor price risk and hedging against such risk exposures will be made should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity investments held by the Group at the reporting date:

If the prices of the respective quoted equity instruments had been 5% (2014: 5%) higher/lower:

- profit after taxation for the year would increase/decrease by HK$13,516,000(2014: HK$6,660,000) as a result of the changes in fair value of financial assets at FVTPL; and

- investment revaluation reserve would increase/decrease by HK$22,201,000 (2014: HK$11,776,000) as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties and financial guarantees provided is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statements of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 44.

The Group's principal financial assets are receivables under service concession arrangements, pledged bank deposits, short-term bank deposits, bank balances and cash, securities and debt investments and trade and other receivables.

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made according to the Group's accounting policy or where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, all bank balances and cash, securities and debt investments of the Group must be placed and entered into with sound and reputable financial institutions. Strict requirements and restrictions in relation to the outstanding amount and credit ratings on securities and debt investments to be held are followed in order to minimise the Group's credit risk exposures.

The credit risk arising from receivables under service concession arrangements is limited as these receivables are guaranteed by the relevant governmental authorities in the PRC.

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The credit risk arising from consideration receivables, which are due from a few counterparties, is limited after assessing the financial background of the counterparties.

The Group's concentration of credit risk by geographical locations of customers are mainly in the PRC and Hong Kong which accounted for 85% (2014: 82%) and 15% (2014: 18%), respectively, of the trade receivables as at 31 December 2015.

The Group's credit risk on bank balances and bank deposits is limited because the counterparties are banks with good reputation.

The Group has concentration of credit risk in relation to amounts due from associates which account for 40% (2014: 32%, as restated) of other receivables. These counterparties have a sound financial background at the end of the reporting period by reference to their financial position and business prospects. The Group's credit risk position is monitored closely by the management.

Liquidity risk

The Group's liquidity position are monitored closely by management. The following tables detail the contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2015 HK$'000
2015							
Non-interest bearing	–	1,825,833	1,709,052	7,493,762	406,177	11,434,824	11,434,824
Fixed interest rate instruments	4.44	46,305	89,622	9,021,019	4,599,052	13,755,998	13,113,454
Variable interest rate instruments	4.23	128,210	249,205	6,920,611	30,968,298	38,266,324	35,503,371
		2,000,348	2,047,879	23,435,392	35,973,527	63,457,146	60,051,649
Financial guarantee contracts		3,847,587	–	–	–	3,847,587	–

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2014 HK$'000
2014							
Non-interest bearing	–	959,780	1,189,533	11,653,179	737,076	14,539,568	14,539,568
Fixed interest rate instruments	4.77	29,556	56,253	5,417,758	4,848,045	10,351,612	9,864,687
Variable interest rate instruments	3.81	132,017	249,841	14,110,003	23,504,370	37,996,231	35,981,084
		1,121,353	1,495,627	31,180,940	29,089,491	62,887,411	60,385,339
Financial guarantee contracts	–	2,776,888	–	–	–	2,776,888	–

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurement of financial instruments

Other than the financial assets and financial liabilities carried at fair value as detailed in the following table and the available-for-sale investments carried at cost less impairment, the directors of the Company consider that the carrying amounts of trade and other receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables and bank and other borrowings that are recorded at amortised cost in the consolidated financial statements approximate their fair values, which are all categorised under level 3 for fair value measurement. The fair values of these financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Fair value of financial assets that are measured at fair value on a recurring basis

Financial Assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input
	31.12.2015 HK$'000	31.12.2014 HK$'000			
Available-for-sale investments					
Listed equity securities	254,733	235,516	Level 1	Quoted bid price in an active market	N/A
Listed equity securities in the PRC with restriction period	189,277	–	Level 1	Quoted bid prices in an active market	N/A
Investments held-for-trading					
Listed equity securities	174,508	159,858	Level 1	Quoted bid prices in an active market	N/A
Financial asset designated as at FVTPL					
Structured deposits					
– Exchange rate linked notes	73,414	267,858	Level 2	Quoted prices in the over-the-counter markets	N/A
– Equity linked notes	149,692	–	Level 2	Quoted prices in the over-the-counter markets	N/A

There was no transfer amongst Levels 1, 2 and 3 in both years.

56. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the following events took place:

(i) On 8 January 2016, SUD, Green Carbon Fund, the Departing Partner and the New Partners entered into a redemption agreement. Pursuant to which Green Carbon Fund agreed to redeem the entire partnership interest held by SUD for a total consideration of RMB1,668,000,000 (equivalent to HK$1,991,880,000). The redemption was completed at the date of signing of the redemption agreement which was on 8 January 2016. As stated on the redemption agreement, any amounts SUD received previously and owed to Green Carbon Fund could be used to offset the redemption consideration. As detailed in Note 34(ii), Green Carbon Fund had advanced RMB1,368,000,000 (equivalent to HK$1,633,628,000) to SUD before 31 December 2015, the remaining balance of RMB300,000,000 (equivalent to HK$358,252,000) to be settled by Green Carbon Fund would be paid according to the payment terms as set out in the redemption agreement.

Further details of the transaction are set out in the Company's announcement dated 8 January 2016.

Up to the date of this report, the remaining balance of the redemption consideration has not yet been received.

(ii) On 26 January 2016, a non-wholly owned subsidiary of the Group, SI Development, completed a share placing of 335,523,659 new ordinary shares, representing 30.97% of its total issued shares prior to the share placing or 23.65% of the enlarged capital of SI Development, at an issue price of RMB11.63 (equivalent to approximately HK$13.89) per share, to Shanghai Asset and certain independent third parties. Upon the completion of the share placing, the Group's shareholding in SI Development is diluted from 63.65% to 48.60%. The Group would account for the share placement as equity transaction and the assessment of the financial impact is in the process.

On the same date, the Group also completed the series of transactions regarding the acquisition of Longchuang as detailed in Note 47(I)(j). The transaction will be accounted for using the acquisition method and the assessment of the financial impact is in the process.

Further details of the share placement are set out in the Company's announcement dated 26 January 2016.

57. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
Non-Current Assets		
Property, plant and equipment	3,309	2,904
Investments in subsidiaries	735,055	741,691
Interest in a joint venture	–	374,906
Amount due from a subsidiary	–	1,249,688
Investments	–	59,270
	738,364	2,428,459
Current Assets		
Deposits, prepayments and other receivables	53,305	62,552
Amounts due from subsidiaries	30,471,020	31,009,003
Investments	–	51,512
Short term bank deposit	1,194,172	–
Bank balances and cash	2,073,237	4,354,348
	33,791,734	35,477,415
Current Liabilities		
Other payables and accrued charges	64,825	46,952
Amounts due to subsidiaries	476,202	4,304,862
Taxation payable	186,649	207,275
Bank borrowings	1,194,172	1,249,271
	1,921,848	5,808,360
Net Current Assets	31,869,886	29,669,055
Total Assets less Current Liabilities	32,608,250	32,097,514
Capital and Reserves		
Share capital	13,615,889	13,527,827
Share premium and reserves	15,354,646	14,637,669
Total Equity	28,970,535	28,165,496
Non-Current Liability		
Amount due to a subsidiary	3,637,715	3,932,018
Total Equity and Non-Current Liability	32,608,250	32,097,514

Zhou Jie
Chief Executive Officer

Xu Bo
Deputy CEO

58. SHARE PREMIUM AND RESERVES OF THE COMPANY

	Share premium HK$'000	Share options reserve HK$'000	Convertible bonds equity reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2014	13,418,247	163,633	185,214	1,071	1,137,728	12,101,449	27,007,342
Profit for the year	–	–	–	–	–	2,023,986	2,023,986
Issue of shares upon exercise of share options	120	(19)	–	–	–	–	101
Recognition of equity-settled share-based payments	–	164	–	–	–	–	164
Transfer upon abolition of par value under the new CO (Note 38)	(13,418,367)	–	–	(1,071)	–	–	(13,419,438)
Dividends paid (Note 14)	–	–	–	–	–	(974,486)	(974,486)
At 31 December 2014	–	163,778	185,214	–	1,137,728	13,150,949	14,637,669
Profit for the year	–	–	–	–	–	1,617,138	1,617,138
Issue of shares upon exercise of share options	–	(6,637)	–	–	–	–	(6,637)
Lapse of share options	–	(129,258)	–	–	–	129,258	–
Shares repurchase	–	–	–	–	–	(9,906)	(9,906)
Repurchase of CB 2018 (Note 37)	–	–	(9,486)	–	–	5,608	(3,878)
Dividends paid (Note 14)	–	–	–	–	–	(879,740)	(879,740)
At 31 December 2015	–	27,883	175,728	–	1,137,728	14,013,307	15,354,646

Notes:

(i) The Company's reserves available for distribution to shareholders as at 31 December 2015 comprised of its retained profits of approximately HK$14,013 million (2014: HK$13,151 million).

(ii) The Company's capital reserve which arose in 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong was not realised profits and is an undistributable reserve.

FINANCIAL SUMMARY

	Year ended 31 December				
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000 (restated)	**2015 HK$'000**
RESULTS					
Revenue	14,969,132	19,286,910	21,567,724	21,333,017	19,693,682
Profit before taxation	6,317,006	5,947,741	4,833,753	6,990,055	5,706,389
Income tax expense	(2,179,787)	(1,621,251)	(1,389,533)	(2,632,812)	(2,071,025)
Profit for the year	4,137,219	4,326,490	3,444,220	4,357,243	3,635,364
Attributable to					
– Owners of the Company	4,022,575	3,438,210	2,702,418	3,096,256	2,770,168
– Non-controlling interests	114,644	888,280	741,802	1,260,987	865,196
	4,137,219	4,326,490	3,444,220	4,357,243	3,635,364
	HK$	HK$	HK$	HK$	**HK$**
Earnings per share					
– Basic	3.725	3.184	2.500	2.860	2.553
– Diluted	3.725	3.182	2.374	2.657	2.452

	As at 31 December				
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000 (restated)	**2015 HK$'000**
ASSETS AND LIABILITIES					
Total assets	115,814,617	115,313,011	122,410,025	138,167,201	142,893,926
Total liabilities	(70,340,582)	(67,073,978)	(70,030,211)	(84,735,010)	(87,604,212)
	45,474,035	48,239,033	52,379,814	53,432,191	55,289,714
Equity attributable to owners of the Company	30,062,368	32,409,489	34,946,024	35,228,423	36,028,098
Non-controlling interests	15,411,667	15,829,544	17,433,790	18,203,768	19,261,616
	45,474,035	48,239,033	52,379,814	53,432,191	55,289,714

Note: The results for the year ended 31 December 2014 and the assets and liabilities as of 31 December 2014 are extracted from the 2014 annual report and adjusted for the inclusion of Shanghai Investment on a merger basis (see Note 2 to the consolidated financial statements).

PARTICULARS OF MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSES

Details of the Group's major properties held for investment purposes as at 31 December 2015 are as follows:

	Location	Term of lease	Type of use	Group's interest
1.	Shanghaimart (上海世貿商城) situated at No. 2299 Yanan Road West, Changning District, Shanghai, the PRC	Held under a land use right for a term expiring on 20 October 2049	Commercial, Office and Expo	35.67%
2.	Urban Development International Tower (城開國際大廈) situated at No. 355 Hongqiao Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 7 October 2053	Commercial	41.27%
3.	20 office units on Levels 8, 9 and 10 and 12 car parks, Asia-pacific Enterprises Tower, situated at No. 333 Zhaojiabang Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 5 December 2042	Commercial and Office	41.27%
4.	Levels 1 to 3, Nos. 498 and 500 Lane 388 Pubei Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 30 June 2050	Commercial	41.27%
5.	Huimin Commercial Tower (滙民商廈) and non-motor vehicle shed situated at Nos. 111 and 123 Tianyaoqiao Road, Xuhui District, Shanghai. the PRC	Held under a land use right with an unspecified term	Commercial	41.27%
6.	Phase 2 of Shanghai Youth City (上海青年城), No. 1519 Husong Road, Jiuting Town, Songjiang District, Shanghai, the PRC	Held under a land use right for a term expiring on 8 July 2055	Commercial	69.95%
7.	Laochengxiang (老城廂), Lot No. 11 of Laochengxiang Area, Nankai District, Tianjin, the PRC	Held under a land use right for a term expiring on 29 March 2075	Residential, Commercial and Office	69.95%
8.	Lot No. B2, Phase I of Top City (城上城), No. 1 Olympic Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	Held under a land use right for a term expiring in February 2044	Commercial and Car Park Spaces	69.95%
9.	Several levels of Golden Bell Plaza (金鐘廣場), No. 98 Huahai Road Central, Huangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 18 November 2043	Commercial and Office	57.29%
10.	Several levels of commercial and Cultural Complex of Hi Shanghai (海上海), Lane 568 Feihong Road and Nos. 950, 970 and 990 Dalian Road, Yangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 19 September 2052	Composite	63.65%
11.	Commercial Units of Huangpu Estate (黃浦新苑), No. 1130 and Nos. 1-2, Lane 1108, Tibet Road South, Huangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 9 November 2050	Commercial	63.65%

PARTICULARS OF MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSES

Location	Term of lease	Type of use	Group's interest
12. Several levels of Shanghai Industrial Investment Building (上海實業大廈), No. 18 Caoxi Road North, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 28 November 2044	Commercial and Office	63.65%
13. Gaoyang Commercial Centre (高陽商務中心), No. 815 Dongdaming Road, Hongkou District, Shanghai, the PRC	Held under a land use right for a term expiring on 5 March 2053	Commercial and Office	63.65%
14. Blocks 1-9, Shanghai United Wool Wearing Factory (上海聯合毛紡織廠), No. 1111 Shangchuan Road, Pudong New District, Shanghai, the PRC	Held under a land use right for a term expiring on 6 March 2056	Industrial Building	63.65%

GLOSSARY OF TERMS

Term used	**Brief description**
Cao Wenlong	Mr. Cao Wenlong
Companies Ordinance	Companies Ordinance (Chapter 622 of the laws of Hong Kong)
Company	Shanghai Industrial Holdings Limited (HKSE stock code: 363)
Director (s)	director (s) of the Company
Fudan Water	Shanghai Fudan Water Engineering and Technology Co., Ltd.
Galaxy Energy	SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd.
General Water of China	General Water of China Co., Ltd.
Green Carbon Fund	Urban Development Green Carbon (Tianjin) Equity Investment Fund (Limited Partnership)
Group	the Company and its subsidiaries
Hu-Ning Expressway	Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Longcheng Properties	Shanghai Urban Development Group Longcheng Properties Co., Ltd.
Longchuang Eco-Energy	Shanghai Longchuang Eco-Energy Systems Co., Ltd.
Longjiang Environmental	Longjiang Environmental Protection Group Co., Ltd.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules
MTI	MTI Environment Group Co., Ltd.
Nanfang Water	Nanfang Water Co., Ltd.
Nanyang Tobacco	Nanyang Brothers Tobacco Company, Limited
Net Business Profit	Net profit excluding net corporate expenses
PRC	The People's Republic of China
Qingdao Huiyu	Qingdao Huiyu Pulp Mould Packaging Co., Ltd.
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
SGX	Singapore Stock Exchange
Shanghai Asset	SIIC Shanghai Asset Operation Co., Ltd.
Shanghai Galaxy	Shanghai Galaxy Investment Co., Ltd.
Shanghai Investment	Shanghai Investment Co., Ltd.

GLOSSARY OF TERMS

Term used	Brief description
Shanghai Pharmaceuticals	Shanghai Pharmaceuticals Holding Co., Ltd. (SSE stock code: 601607; HKSE stock code: 2607)
Shanghai Urban Development	Shanghai Urban Development (Holdings) Co., Ltd.
SI Development	Shanghai Industrial Development Co., Ltd. (SSE stock code: 600748)
SI Environment	SIIC Environment Holdings Ltd. (SGX stock code: BHK)
SI Environment Scheme	A share option scheme adopted by SI Environment at the extraordinary general meeting held on 27 April 2012
SI Urban Development	Shanghai Industrial Urban Development Group Limited (HKSE stock code: 563)
SI Urban Development Scheme	A share option scheme adopted by SI Urban Development at the extraordinary general meeting held on 12 December 2002. Such scheme was expired on 11 December 2012
SI Urban Development New Scheme	A new share option scheme adopted by SI Urban Development at the annual general meeting held on 16 May 2013
SIHL Scheme	A share option scheme adopted by the Company at the extraordinary general meeting held on 31 May 2002. Such scheme was terminated at the extraordinary general meeting of the Company held on 25 May 2012
SIHL New Scheme	A new share option scheme adopted by the Company at the extraordinary general meeting held on 25 May 2012
SIIC	Shanghai Industrial Investment (Holdings) Company Limited
SIIC Shanghai	SIIC Shanghai Holdings Co., Ltd.
SSE	Shanghai Stock Exchange
Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
Sun Hung Kai	Sun Hung Kai Properties Limited
Wing Fat Printing	The Wing Fat Printing Company, Limited

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