瑞安建業
SOCAM DEVELOPMENT

Deleverage and REBUILD

Annual Report 2015

Stock Code: 983

Cover images:
Left: Chengdu Centropolitan
Right: Hong Kong Children's Hospital

CONTENTS

CORPORATE PROFILE

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

SOCAM's primary business interests encompass two main areas:

- Niche **property development operations** in the Chinese Mainland that leverage on specialist knowledge in the fast turnaround of projects. The Company also invested in Dalian Tiandi, an integrated knowledge community project.
- Burgeoning **construction business** in Hong Kong and Macau with 45 years of operations. The division has a strong track record of quality, site safety and environmental performance.

PROPERTY

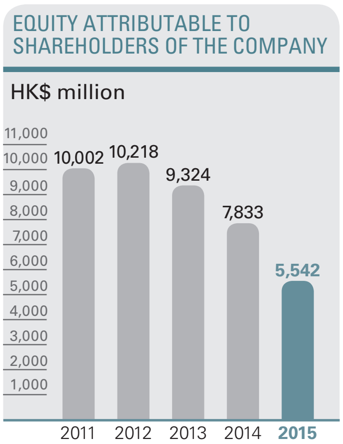
- Special Situation Projects
- Knowledge Community Project
- Private Equity Property Fund

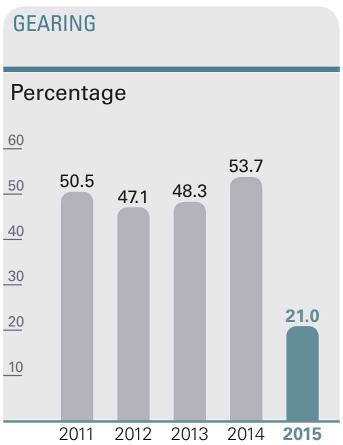
CONSTRUCTION

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

FINANCIAL HIGHLIGHTS

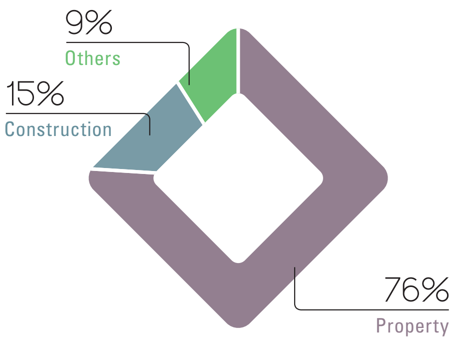
HK$ million	2011	2012 (Restated)	2013	2014 (Re-presented)	2015
	Year ended 31 December				
Turnover					
Company and subsidiaries	5,900	6,443	7,952	6,102	**5,916**
Share of joint ventures and associates	3,516	4,892	4,460	640	**363**
Total	9,416	11,335	12,412	6,742	**6,279**
Profit (loss) attributable to shareholders	910	459	(889)	(1,374)	**(1,126)**
Basic earnings (loss) per share (HK$)	1.86	0.93	(1.81)	(2.84)	**(2.33)**
Total dividends per share (HK$)	0.65	0.50	–	–	**–**
At 31 December					
Total assets (HK$ billion)	22.2	23.3	23.1	18.5	**12.3**
Net assets (HK$ billion)	10.0	10.2	9.3	7.8	**5.5**
Net asset value per share (HK$)	20.43	20.76	19.26	16.17	**11.44**
Net gearing	50.5%	47.1%	48.3%	53.7%	**21.0%**

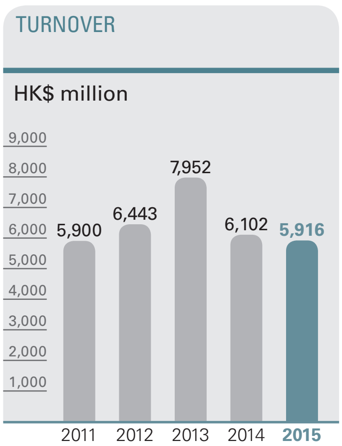


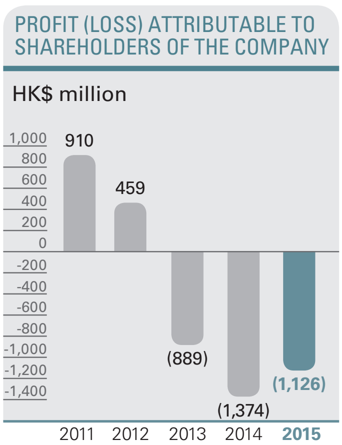


ASSETS EMPLOYED

At 31 December 2015

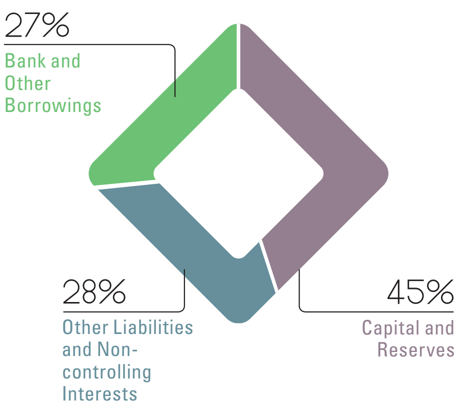






CAPITAL AND LIABILITIES

At 31 December 2015



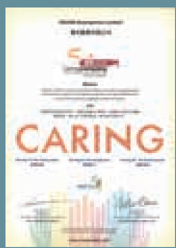
MAJOR EVENTS
IN 2015

JAN

▼ Opening of the first phase retail section of Tianjin Veneto, featuring Italian style pedestrian streets.

FEB

▼ Awarded the Caring Company Logo from The Hong Kong Council of Social Service for the nineth consecutive years.



MAR

▼ Completed the contract for the relocation of the Department of Justice of the HKSAR Government to Central Government Offices (Main and East Wings).

APR

▼ Disposal of 65% interest in Beijing Centrium Residence, a low-density, luxury apartment in Chaoyang District.

▼ Pre-sale of the second batch of residential units of Chengdu Centropolitan commenced.

▼ Awarded the contract for the interior fitting-out works for conference hall and meeting rooms for Louis XIII Hotel, Macau. (contract value: HK$201 million).

▼ Awarded the Best Investor Relations Company in the 5th Asian Excellence Recognition Awards 2015.

▼ Received two Gold Awards in the Construction Industry Safety Award Scheme 2014/2015.

MAY

▼ Received Silver Award in the 21st Considerate Contractors Site Award Scheme.

JUN

▼ Awarded the contract for the construction of public rental housing development at So Uk Estate Phase 2. (contract value: HK$2,399 million)

JUL

▼ Disposal of 80% interest in the Shanghai 21st Century Tower Project, comprising the Four Seasons Hotel Pudong and Four Seasons Place.

▼ Received five Gold Awards in Construction Safety Forum and Award Presentation 2015.

AUG

▼ The disposal of 45% interest in Lafarge Shui On Cement, our joint-venture in the Chinese Mainland, was completed.

▼ Pre-sale of first phase of apartments of Nanjing Scenic Villa started.

▼ Received five awards in 2015 International ARC Awards, including Gold Awards for Traditional Annual Report and Chairman's Letter.

SEP

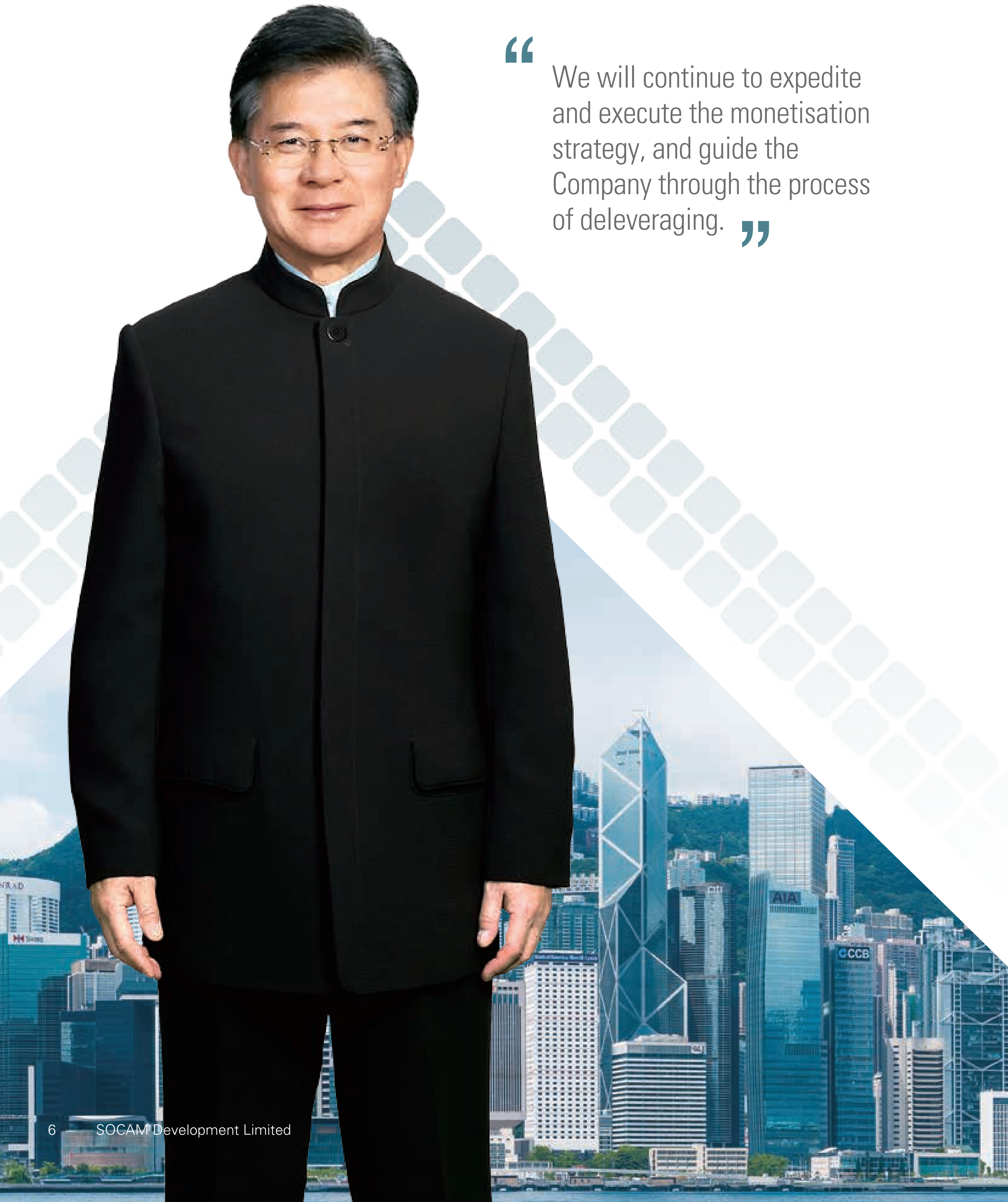
▼ Received two Gold Awards in The 14th Hong Kong Occupational Safety & Health Award.

DEC

▼ Awarded the main contract for conversion of office building to hotel at Connaught Road West. (contract value: HK$333 million)

▼ Received Titanium Award in the Asset Corporate Awards 2015.

CHAIRMAN'S STATEMENT



"We will continue to expedite and execute the monetisation strategy, and guide the Company through the process of deleveraging."

Our financial results disappointed. Yet, with a major milestone achieved in our monetisation strategy via the exit from Lafarge Shui On Cement joint venture (LSOC) and the sale of our Shanghai 21st Century Tower project, our financial burden has been significantly reduced.

Dear Shareholders,

2015 was a challenging year in which we continued our efforts to realise asset values while managing the impact of a difficult operating environment.

The global economy remained subdued in 2015 and the sluggish recovery in major economies has continued to cause financial market uncertainty worldwide. The Chinese Mainland experienced a gradual slowdown, and saw its economic growth adjusted downward to 6.9%, the slowest in quarter of a century for the country, in the midst of the rebalancing of economic activities away from investment and manufacturing toward consumption and the services sectors. The property market in the Chinese Mainland remained soft in the early part of the year but picked up momentum towards the fourth quarter, while the cement industry continued to be hard hit by over-capacities. These, all in all, created yet another very demanding backdrop for your Company.

Our financial results disappointed. Yet, with a major milestone achieved in our monetisation strategy via the exit from Lafarge Shui On Cement joint venture (LSOC) and the sale of our Shanghai 21st Century Tower project, our financial burden has been significantly reduced.

SOCAM reported a loss of HK$1,126 million (2014: HK$1,374 million) for the year ended 31 December 2015. Turnover was HK$5.9 billion (2014: HK$6.1 billion). Loss per share was HK$2.33 (2014: HK$2.84).

The Board and I would like to take this opportunity to express our regret to our shareholders for the unsatisfactory results, for which the Board and the management take full responsibility. Although the overall economic environment will remain challenging in the near future, we will continue to expedite and execute the monetisation strategy, and guide the Company through the process of deleveraging. Our construction business remains competitive, despite the impact of the lead-in-water incident, and is set to seize the opportunities from an expansive public housing programme in Hong Kong.

CHALLENGING OPERATING MARKETS

When executing the monetisation strategy, your Company has been vigilant in the timing of asset disposals. In the past year, the property market in the Mainland was evidently characterised by excessive inventories and the resultant weak pricing, especially in second to fourth tier cities where SOCAM now has most of its property projects. In spite of the keen competition, our Chengdu Centropolitan and Nanjing Scenic Villa projects elicited encouraging market responses. The pre-sale of the first phase of apartments of Nanjing Scenic Villa that started in August 2015 received enthusiastic responses with nearly 100 units out of 114 sold by end of February 2016 at reasonably good prices, indicating that quality finishing and prime location are important to discerning buyers.

Your Company was also successful in the more favourable Beijing and Shanghai markets to divest its 65% interest in the Beijing Centrium Residence project and 80% shareholding in the Shanghai 21st Century Tower project, the latter of which comprised the Four Seasons Hotel Pudong and Four Seasons Place, and enabled our sizeable attributable off balance sheet bank borrowings of HK$1.3 billion to be offloaded.

In January 2016, further progress was made, with two additional disposals completed. The remaining 20% interest in Shenyang Project Phase II was divested for approximately HK$364 million and the land parcels located in Zunyi, Guizhou were sold for a total consideration of approximately HK$463 million.

Nevertheless, the prices of certain property sales were unavoidably lower than book costs because of the continued weak market conditions and the high carrying cost of the properties concerned. Taking into account overheads, sales and marketing expenses and taxes, the property division recorded a loss of HK$1,019 million (2014: HK$779 million).

In Hong Kong, boosted by the expanding public housing programme and the good demand in the fitting-out sector, our construction business maintained growth, notwithstanding the fact that our tenders for new public housing projects were not considered for eight months in 2015 as a result of the lead-in-water incident which impacted several major players in the industry. SOCAM has taken proactive steps to comprehensively review our supervising and operating procedures to ensure that a more stringent standard is in force.

Backed by our track record of timely and quality delivery, the construction division remained profitable with an operating profit of HK$108 million (2014: HK$112 million) for the year.

DELEVERAGE AND REBUILD

In August 2015, your Company completed the disposal of its 45% interest in LSOC to Lafarge for a cash consideration of HK$2.55 billion. The exit finally freed your Company from the encumbrances of substantial recurrent operating losses of this joint venture and allowed us to record a small gain in the income statement. The proceeds also reduced our bank borrowings significantly and strengthened our balance sheet. The cement industry in the Mainland has since then further deteriorated and the price of our 45% share, had it remained unsold, would have been substantially lower.

2016 has got off to a challenging start, underpinned by the uncertain financial conditions in the United States, negative interest rates in a number of advanced economies and volatile currency and stock markets. The rebalancing, slower economic growth as well as the soft property sector in certain secondary and third tier cities in the Chinese Mainland will continue to pose challenges to our business in the year ahead.

Nanjing Scenic Villa

West Kowloon Law Courts Building

So Uk Estate Phase 1

Considerable challenges still lie ahead of us. With a dedicated management team and staff, however, I am confident we shall further consolidate the Company's financial position and capitalise on our strengths in the Hong Kong market.

Your Company will continue to execute the monetisation plan for our remaining property assets, reduce debts and streamline the organisation, so as to pave the way to reposition and rebuild the operations and business of the Company.

The HKSAR Government, in its Long Term Housing Strategy Annual Progress Report 2015, has committed to a long-term housing supply target of providing 460,000 housing units in the next 10 years. Among them, 280,000 units are public rental housing units and subsidised sale flats, representing an average of 28,000 units per annum.

Our history of consistent performance and capability to tender for a broad spectrum of construction projects will undoubtedly place us at the forefront to capture the market opportunities arising from the public housing programme and other construction segments such as fitting-out and renovation works.

Meanwhile, our management team is mindful as always of managing the escalating construction costs driven in part by tight labour supply, and of further enhancing the Company's competitiveness.

NOTE OF THANKS

I would like to extend my heartfelt thanks to our Board of Directors, our management and our loyal staff members for their dedicated efforts over the past few difficult years. I would also like to express my sincere thanks to our shareholders for their patience despite the disappointing results in the past three years. With progress in our deleveraging and monetisation strategy, however, a much lower debt level would allow your Company to be in a better position to manage the challenging and uncertain macro environment going forward. We are too aware that distributing dividends is a priority should our Company return to strength when our financial position allows.

On behalf of the Board, I would also like to express my gratitude to Mr. Lawrence Choi, Vice Chairman and Managing Director of SOCAM, who retired in December 2015, for his long and distinguished years of service with the Company and the Shui On Group.

Considerable challenges still lie ahead of us. With a dedicated management team and staff, however, I am confident we shall further consolidate the Company's financial position and capitalise on our strengths in the Hong Kong market.

Vincent H. S. LO
Chairman

Hong Kong, 23 March 2016

MANAGEMENT DISCUSSION
AND ANALYSIS

PROPERTY

CONSTRUCTION

MANAGEMENT DISCUSSION AND ANALYSIS

The disposal of the Group's 45% interest in the long non-performing LSOC, at HK$2.55 billion, liberated us from the continued significant losses to be incurred by the joint venture, while providing substantial cash flow and strengthening the financial position of the Group.

The global economic recovery was mixed and continued to face uncertainties in 2015. Three key transitions made prominent influence: the gradual slowdown and rebalancing of economic activities in the Chinese Mainland away from manufacturing towards consumption and service sectors; lower commodity prices and a gradual tightening of monetary policy in the United States amidst its resilient recovery; and the central banks of several other major advanced economies continuing to ease their respective monetary measures. Growth in advanced economies gradually strengthened while economic performance in developing economies was below expectations.

On the Chinese Mainland, the authorities have adopted loosened policies with respect to money supply and bank lending. Excessive inventories and the resultant weak pricing were two key features in the property sector, except for most tier one cities. This posed immense challenges to our property business.

On the other hand, buoyed by the expanding public housing programme in Hong Kong, the construction industry maintained stable growth. Our construction business remained resilient despite the fact that we were unable to tender for new projects for eight months in 2015 as a result of the lead-in-water incident.

Notwithstanding the challenges in the operation, our monetisation plan and exit strategy in relation to the property and cement businesses made progress during the year, which strengthened the Company's balance sheet, reduced bank borrowings and lowered finance cost.

MONETISATION PROGRESS

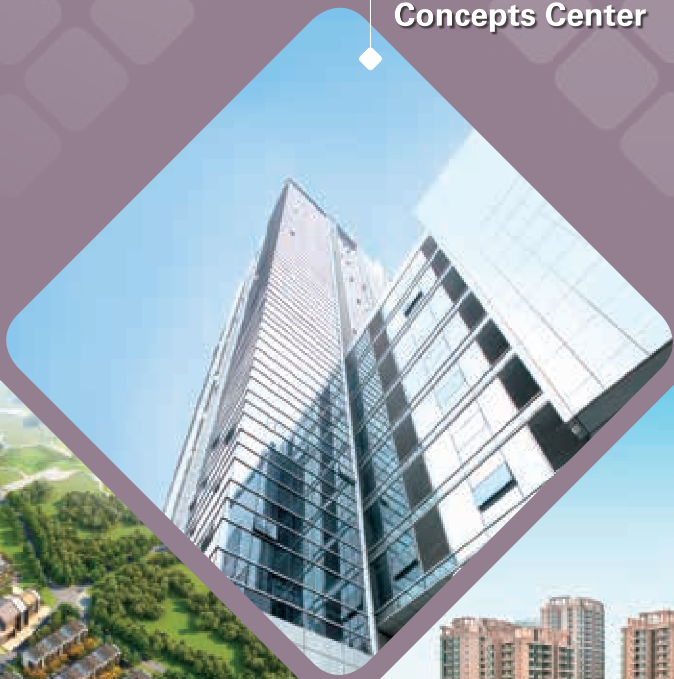
The disposal of the Group's 45% interest in the long non-performing LSOC, at HK$2.55 billion, liberated us from the continued significant losses to be incurred by the joint venture, while providing substantial cash flow and strengthening the financial position of the Group.

Two property assets sales were completed, realising aggregate proceeds of approximately HK$1.1 billion and off-loading off balance sheet bank borrowings totalling HK$1.3 billion attributable to the Group. Due to the stronger Beijing and Shanghai markets, the Group disposed of the 65% interest in Beijing Centrium Residence and the 80% interest in the Shanghai 21st Century Tower project, comprising the Four Seasons Hotel Pudong and branded residences Four Seasons Place.

In January 2016, the Group made further progress and completed two additional disposals. It divested its remaining 20% interest in the Shenyang Project Phase II for approximately HK$364 million and completed the sale of the land parcels located in Zunyi, Guizhou for a total consideration of approximately HK$463 million.

GFA
31,500
square metres

Chongqing Creative Concepts Center



GFA
386,100
square metres

Chengdu Centropolitan

GFA
66,300
square metres

Nanjing Scenic Villa

GFA
98,500
square metres

Shenyang Project Phase I

GFA
2,700
square metres

Shanghai Lakeville Regency Tower 18

The GFA shown refers to total developable GFA attributable to the Group as at 31 January 2016, and has excluded sold and delivered areas.

PROPERTY

QUALITY ASSETS

As of 31 January 2016, SOCAM owned seven special situation projects, with a total developable GFA attributable to the Group of approximately 0.64 million square metres. SOCAM also has 22% interest in Dalian Tiandi, an integrated knowledge community project.

GFA
5,900
square metres

Guangzhou Parc Oasis

GFA
44,200
square metres

Tianjin Veneto

Nanjing Scenic Villa

Dalian Tiandi

Since the Group's implementation of the monetisation strategy in 2013, a significant portion of our property portfolio has been sold, resulting in an improved financial position. Our remaining portfolio now comprises a larger portion of commercial properties.

MARKET REVIEW

China's 13th Five-Year Plan of the Central Government suggests a minimum annual economic growth rate of 6.5% from 2016 to 2020. With the economy shifting towards a more sustainable growth path, it will still present opportunities in the course of rebalancing growth towards domestic demand and the services sector.

In the past year, China's residential property market witnessed marked difference in performance among different tiers of cities. The overall inventory of residential units, predominantly in second to fourth tier cities, was at a relatively high level, which put considerable pressure on prices. As a result, there was a general decline in house prices in such cities. Amidst slower economic growth, shopping centre supply remains abundant across these cities, resulting in downward pressure on retail rents and sales.

On the contrary, property markets in first tier cities, namely Beijing, Shanghai, Guangzhou and Shenzhen, remained strong, showing an up-trend in pricing, with Shenzhen having the highest price upsurge in excess of 40% in 2015. Measures have already been put in place recently to check overheating activities in such cities.

Looking forward, the residential property market overall is expected to benefit from government policies encouraging home purchases. The Central Government's plan and newly launched policy to promote "de-stocking" is reassuring in this aspect and will help lift the housing market. Alongside the long-term policy to promote urbanisation and the easing monetary stance, overall market sentiment may be boosted. The retail property market, although poised to benefit from the milder-than-expected inflation environment and robust growth of the services sector, will continue to be adversely affected by the rapid growth of online shopping.

OPERATING PERFORMANCE

In addition to capturing market opportunities to dispose of our projects en-bloc, the Group also stepped up pre-sale activities for its Chengdu Centropolitan and Nanjing Scenic Villa projects. These together generated contracted sales of approximately HK$1 billion during the year.

Since the Group's implementation of the monetisation strategy in 2013, a significant portion of our property portfolio has been sold, resulting in an improved financial position. Our remaining portfolio now comprises a larger portion of commercial properties. The Group is proactively seeking ways to enhance customer traffic in these retail properties in light of the changes in buying habits brought about by buoyant e-commerce on the Mainland.

SPECIAL SITUATION PROJECTS

As of 31 January 2016, SOCAM owned seven special situation projects, with a total developable GFA attributable to the Group of approximately 0.64 million square metres. The projects all command good locations in seven Mainland cities, as summarised below:

Project	Total developable GFA attributable to the Group (square metres)	Estimated completion year	SOCAM's interest
Chengdu Centropolitan	386,100	2016	81%
Chongqing Creative Concepts Center	31,500*	Completed	100%
Guangzhou Parc Oasis	5,900*	Completed	100%
Nanjing Scenic Villa	66,300	2017	50%
Shanghai Lakeville Regency Tower 18	2,700*	Completed	100%
Shenyang Project Phase I	98,500*	Completed	100%
Tianjin Veneto	44,200	2017	45%
TOTAL	635,200 square metres		

* The GFA shown above has excluded sold and delivered areas

GFA*

635,200 sqm
at 31 January 2016

1,615,200 sqm
at 31 December 2014

* Excluding that of the knowledge community project in Dalian

TOTAL ASSETS

HK **$9,439** million
at 31 December 2015

HK $12,575 million
at 31 December 2014

LOSS AFTER TAX

HK **($1,019)** million
Year ended 31 December 2015

HK ($779) million
Year ended
31 December 2014

Tianjin Veneto

PROJECT DEVELOPMENT AND MARKETING PROGRESS

Guangzhou Parc Oasis

Located in Northern Tianhe District of Guangzhou, the project consists mainly of three 35-storey residential towers, one 31-storey serviced apartment tower and carparks. All residential and serviced apartment units have been sold.

The residential sector in Guangzhou surged in sales volume in 2015, though the market remained cautious in pricing.

Nanjing Scenic Villa

Acquired jointly with the SoTan Fund, the project is situated in the heart of the Yangtze River Delta Economic Zone and consists of a residential development with a total developable GFA of approximately 132,600 square metres upon completion. Pre-sale of the first phase of apartments of Nanjing Scenic Villa started in August 2015 with encouraging response: nearly 100 units out of 114 were subscribed or sold at reasonable prices as of end of February 2016. The second phase will be launched in the second half of 2016. However, developers continue to face pricing pressure before the residential inventory level in Nanjing reduces to a more comfortable level.

Nanjing Scenic Villa

Shanghai Lakeville Regency Tower 18

Situated in an upmarket and much-sought-after location in the Xintiandi area, this luxury serviced apartment building has received good response, and all units have been subscribed or sold as at the end of February 2016.

Chengdu Centropolitan

The Group owns 81% of the project, with a GFA of 476,000 square metres, comprising 11 residential towers and an office block, as well as a serviced apartment tower and a shopping mall. The sales launch in September 2014 was successful, with 1,761 residential units out of 1,987 units sold up to February 2016. Prices were however substantially impacted upon by the excessive inventories and intense market competition in the city.

Construction of the office and serviced apartment towers and the shopping mall is expected to complete in the first half of 2016. The rapid pace of property development continued to be a significant issue in many second-tier cities, including Chengdu, where a large amount of

Shenyang Project Phase I

continuous new supply is seen. The Company is trying hard to keep abreast of the adverse market conditions and to expedite the sales and optimise the tenant mix.

Chongqing Creative Concepts Center

Situated close to Jiefangbei Square, the Creative Concepts Center is adjacent to the Central Business District of Chongqing. All office and residential units of the project have been sold.

The city's retail sales registered strong growth during the year, with a number of new brands entering the market. However, as various new projects will come onto the scene in the near term, the vacancy rate of prime shopping malls is set to increase. The Company is now repositioning the mall of this project, which was 70% leased at the end of January 2016, with a view to enhancing its value.

Shenyang Project Phase I

Located in the Golden Corridor in the northeastern Chinese city Shenyang, almost all of the apartment units and about 80% of the office space of the project have been sold.

Shenyang has the highest level of vacancy rates of retail properties as a result of stiff competition. At the end of January 2016, approximately 64% of the project's retail space was leased.

Tianjin Veneto

Jointly-developed with the SoTan Fund on a 50-50 basis, the project comprises a retail mall, with a total GFA of 98,100 square metres scheduled to be fully completed in 2017.

The first phase, with a GFA of 65,500 square metres, was opened by stages since January 2015. Customer flow is increasing with 66% retail spaces of the first phase leased as at January 2016. In 2015, shopping malls accounted for 64% of total retail space in Tianjin, dominating the market. The project, which features attractive Italian-style pedestrian streets, enjoys convenient transportation close to the Wuqing Station, a stop on the Beijing-Tianjin express train service.

KNOWLEDGE COMMUNITY

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

As at 31 December 2015, the leasable and saleable GFA completed and under construction were 541,000 square metres and 342,000 square metres, respectively. The overall occupancy of office spaces stood at 82%, while that of IT Tiandi rose to 59%.

Chengdu Centroplitan

CONSTRUCTION

CONTRACTS

As at 31 December 2015, the gross value of contracts on hand was HK$18.4 billion and the value of outstanding contracts to be completed was HK$9.5 billion, compared with HK$16.6 billion and HK$11.4 billion respectively as at 31 December 2014.

HK
$560
million

Public Rental Housing Development in San Po Kong

HK
$9.1
billion

Hong Kong Children's Hospital via the Joint Venture with China State Construction

HK
$2.1
billion

Public Rental Housing Development at So UK Estate Phase 1

HK
$2.2
billion

West Kowloon Law Courts Building

HK
$440
million

Public Rental Housing Development in Yuen Long (Long Ching Estate)

HK
$799
million

Sports Centre, Community Hall and District Library Complex in Shatin

HK
$2.4
billion

Public Rental Housing Development at So Uk Estate Phase 2

In 2016, the Company should see an improved situation to tender and secure more new contracts. In addition to public housing and other building works, the Company will also continue to expand its share in the maintenance and minor works market where we see good opportunities.

MARKET REVIEW

The Hong Kong economy, measured by Gross Domestic Product (GDP), grew 2.4% in 2015, compared to 2.6% in 2014. In the medium term, despite uncertainties in the external economic environment, the outlook of the Hong Kong economy remains cautiously optimistic. The National 13th Five-Year Plan and "Belt and Road" Initiative are expected to unleash new growth opportunities. The construction industry is expected to see steady growth in the foreseeable future, sustained by the ongoing public building and construction works.

The Hong Kong SAR Government is determined to resolve the shortage of affordable accommodation units as its top priority. In the Long Term Housing Strategy Annual Progress Report 2015, the Government has committed to a long-term housing supply target of 460,000 units in the 10 years from 2016 to 2026, which includes 200,000 public rental housing units and 80,000 subsidised sales flats. Public expenditure on housing is anticipated to further increase, and the project pipeline should provide construction opportunities for the Group.

Meanwhile, by increasing the supply of land, new infrastructure and residential development projects are being rolled out in new development districts such as North East New Territories, Kai Tak, West Kowloon and Tung Chung. The demand for construction services, particularly from the public sector, will continue.

That said, the construction industry in Hong Kong is facing major uncertainties in seeing a drop in the amount of capital works projects in the near-to-medium term as the filibustering in the Legislative Council recently has caused lengthened delays in funding approval for public works.

In Macau, the economy in 2015 has dipped to its lowest since 2011, largely attributable to the slowdown in the gaming industry. Nevertheless, the enhancement of facilities of the gaming and hospitality industry continues to provide a reasonable number of contracts.

As in previous years, the shortage of skilled labour, and escalating construction costs in Hong Kong remain a concern. Management has continued to provide training to enhance workers' skills and explore alternative ways to address the issue.

OPERATING PERFORMANCE

The Group's construction business reported a profit of HK$108 million in 2015 (2014: HK$112 million). Turnover for the year was HK$5,606 million (2014: HK$5,599 million).

New contracts secured in Hong Kong and Macau totalled HK$3.7 billion (2014: HK$3.6 billion). As at 31 December 2015, the gross value of contracts on hand was HK$18.4 billion and the value of outstanding contracts to be completed was HK$9.5 billion, compared with HK$16.6 billion and HK$11.4 billion respectively as at 31 December 2014.

The value of contracts on hand was impacted upon by the unfortunate excess lead-in-water incident. Shui On Building Contractors was the main contractor of Kwai Luen Estate Phase 2 comprising 1,507 units, one of the 11 public housing estates, involving a total of 29,077 units, affected by this incident. As a result of the regulatory actions taken by the Housing Authority (HA), SOBC was not considered for tenders released by the HA from March to October during the year. SOBC has resumed submitting tenders to the HA since November 2015.

The lead-in-water incident has adversely affected a number of major players in the construction industry. To date, the Commission of Inquiry set up by the HKSAR Government to inquire into the incident continues.

The results of the inquiry and the potential further regulatory requirements are uncertain to the industry and the Group. The Government may impose further regulations and requirements in the tender process for construction works in the public sector as well as more stringent inspection procedures in the future, which could mean higher operating costs to construction companies and longer completion time.

As a major construction company in Hong Kong, the Group will duly follow the government's requirements and adopt appropriate remedial measures accordingly. With a dedicated team of capable management staff, a solid foundation and a strong culture in safety and quality, the Group does not expect any additional significant impact on its competitiveness as a result of the tightened regulations, if any.

The Group has taken proactive measures to review its operating processes and procedures to further improve internal control and operation management. In 2016, the Company should see an improved situation to tender and secure more new contracts. In addition to public housing and other building works, the Company will also continue to expand its share in the maintenance and minor works market where we see good opportunities.

OPERATING PROFIT

HK **$108** million
2015

HK $112 million
2014

NEW CONTRACTS SECURED

HK **$3.7** billion
2015

HK $3.6 billion
2014

TURNOVER

HK **$5.6** billion
2015

HK $5.6 billion
2014

So Uk Estate Phase 1

SHUI ON BUILDING CONTRACTORS (SOBC)

During the year, SOBC completed the works of two contracts:

- District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Property Managed by Property Service Administration Unit/Kowloon West and Hong Kong, valued at HK$325 million; and
- Construction of Lift Towers, Canopies and Associated Works in Lai King Estate, valued at HK$37.5 million.

Contracts awarded during the year included the construction contract of Public Housing Development at So Uk Estate Phase 2 with a sum of HK$2.4 billion, and two minor works contracts from West Kowloon Cultural District valued at HK$12 million.

SOBC continued its construction work at San Po Kong, Ex-Yuen Long Estate and So Uk Estate Phase 1, and several term contracts for maintenance works for the HA.

Public Rental Housing Development at San Po Kong

Sports Centre, Community Hall and District Library Complex in Shatin

West Kowloon Law Courts Building

SHUI ON CONSTRUCTION (SOC)

SOC completed the contract for the relocation of the Department of Justice to Central Government Offices (Main and East Wings) in March, with a value at HK$680 million. Several projects are proceeding according to schedule, including the construction of the Hong Kong Children's Hospital via a joint venture with the China State Construction Engineering (Hong Kong), West Kowloon Law Courts Building, and construction of the Sports Centre, Community Hall and District Library Complex in Shatin.

PAT DAVIE (PDL)

PDL, the Group's interior fitting-out and building renovation arm, maintained solid progress in securing new contracts and reported good results with its leading position in the industry, despite the significant slowdown in the gaming industry in Macau, a key market of PDL.

In Hong Kong, with the growing trend of converting offices or industrial buildings into hotels and serviced apartments, PDL is poised to capture the opportunities in this area.

Further to the significant growth in 2014, PDL recorded encouraging results during the year, and won 27 interior and fitting-out contracts worth approximately HK$1,302 million, a 23% increase from the previous year (2014: HK$1,060 million).

PDL was awarded the main contract for the conversion of an office building to hotel in Connaught Road West, with a contract value of HK$333 million; fitting-out works for offices at Cityplaza Three valued at HK$209 million; and fitting out works for Louis XIII Hotel, MGM, and Wynn in Macau, totaling HK$386 million. Other major contracts won included asset enhancement works for Link, projects for Hang Seng Bank and improvement works for platforms and stations for MTR Corporation in Hong Kong.

16 projects were completed in the year with an aggregate contract value of HK$940 million. The larger among these were a HK$229 million Lung Cheung Plaza project for Link, a HK$78 million project for Bank of China and a HK$75 million project for the Time Centre on Hollywood Road. In Macau, refurbishment works for Studio City, Wynn and City of Dreams totalling HK$401 million were also completed.

Public Rental Housing Development in Yuen Long (Long Ching Estate)

FINANCIAL
REVIEW

FINANCIAL RESULTS

The Group's loss attributable to shareholders for the year ended 31 December 2015 was HK$1,126 million on a turnover of HK$5,916 million, compared with a loss of HK$1,374 million on a turnover of HK$6,102 million for the previous year.

The Directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil).

Certain of the Group's property business and cement operations are conducted through joint ventures and associates. The HK$5,916 million turnover for the year has not included the Group's share of the turnover of these joint ventures and associates. An analysis is as follows:

	Year ended 31 December 2015 HK$ million	Year ended 31 December 2014 HK$ million (Re-presented)
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**5,606**	5,599
Property	**306**	483
Others	**4**	20
Total	**5,916**	6,102
Joint ventures and associates		
Property	**308**	571
Cement and others	**55**	69
Total	**363**	640
TOTAL	**6,279**	6,742

Turnover from our construction business increased marginally for the year, as compared with the previous year, despite the disposal of the Mainland construction operation in October 2014. Excluding the turnover of the Mainland construction operation from the previous year, our construction business recorded a 37% increase in turnover this year as a result of an expanded workload in construction and building maintenance work in Hong Kong and Macau during the year.

Revenue from the property business decreased to HK$306 million, from HK$483 million last year, as the Group's property inventories available for sale have been substantially disposed of over the last few years. Turnover recognised this year was mainly derived from sales of the inventories in Guangzhou Parc Oasis.

The disposals of our 65% interest in Beijing Centrium Residence and 80% shareholding in the Shanghai 21st Century Tower project, comprising Four Seasons Hotel Pudong and Four Seasons Place, in April and July 2015, generated cash considerations of HK$429 million and HK$640 million attributable to the Group respectively. However, such proceeds have not been included in turnover under applicable accounting standard because the disposals were done by way of sales of the offshore project holding companies together with remaining inventories by the respective joint ventures. In addition, the revenue derived from the strata-title sales of the apartment units of an investment property – Lakeville Regency Tower 18 in Shanghai, amounting to HK$853 million during the year, has not been included in turnover according to applicable accounting rule.

The Group's share of property sales revenue from the jointly developed projects decreased to HK$308 million in the current year, compared with HK$571 million in the previous year, was the result of the aforementioned disposals of our interests in Beijing Centrium Residence and the Shanghai 21st Century Tower project during the year, coupled with lesser sales revenue recognised by the 22%-owned Dalian Tiandi.

The cement operations through LSOC were classified as discontinued operations as the Group's 45% interest in this joint venture was disposed of in the current year. The prior year figures have been re-presented for conformity with the current year presentation.

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

	Year ended 31 December 2015 HK$ million	Year ended 31 December 2014 HK$ million
Property		
Profit (loss) from property sales and net rental expenses	**22**	(38)
Fair value changes on investment properties, net of deferred tax provision	**(34)**	(39)
Share of results of joint ventures and associates	**(494)**	(428)
Impairment loss on a property under development for sale	**(238)**	–
Net loss on disposal of a subsidiary and joint ventures	**–**	(27)
Operating expenses, net of project fee income	**(220)**	(198)
	(964)	(730)
Construction		
Operating profit		
Hong Kong and Macau	**108**	95
Mainland	**–**	17
Net gain on disposal of Mainland operations	**–**	9
	108	121
Cement – LSOC (discontinued operations)		
Share of losses, net of other income	**(272)**	(317)
Net gain on disposal	**416**	–
	144	(317)
Venture capital investments	**(20)**	(28)
Net finance costs	**(206)**	(258)
Corporate overheads and others	**(92)**	(67)
Taxation	**(79)**	(80)
Non-controlling interests	**(17)**	(15)
TOTAL	**(1,126)**	(1,374)

Property

Property sales profit for the current year was mainly derived from the sales of residential and retail spaces in Guangzhou Parc Oasis. Net rental expenses were incurred by the Group's investment properties, including Lakeville Regency Tower 18 in Shanghai and the shopping malls of Chongqing Creative Concepts Center and Shenyang Project Phase I.

The Group's jointly developed projects, Beijing Centrium Residence and Shanghai Four Seasons Place, recognised less property sales before they were disposed of earlier this year, hence contributing smaller sales profit to the Group. In addition, Tianjin Veneto, a 45%-owned retail development, was opened in January 2015 and the Group took up its share of the net operating and finance costs, amounting to HK$48 million, in the first lease cycle. Results of the joint developments for the year also included share of net impairment losses totalling HK$146 million (2014: HK$208 million) with respect to the 81%-owned Chengdu Centropolitan project and 22%-owned Dalian Tiandi, which arose from the general decrease in the selling prices of apartment and office units amid unfavourable property market conditions in these cities. The disposal of the Group's 80% interest in the Shanghai 21st Century Tower project in July 2015 incurred a loss, but this has enabled the Group to cease sharing the operating and finance costs of this project after the disposal.

During the current year, the Renminbi registered a 6.2% depreciation against the Hong Kong dollar, and brought about foreign exchange losses to the jointly developed projects on their borrowings. The Group's share of such exchange losses amounted to HK$67 million (2014: HK$9 million).

All these caused the Group to post an increase in net loss attributable to its interests in the property joint ventures and associates to HK$494 million, from HK$428 million for the previous year.

In January 2016, the disposal of the Zunyi project for a cash consideration of HK$463 million was completed. As the carrying value of this project, which was uplifted upon disposal of 20% project interest by the Group to an investor in 2012, was higher than the sales consideration, an impairment loss of HK$238 million was provided for at 31 December 2015.

Net operating expenses for the year included foreign exchange losses mainly on the borrowings of the Group's property projects, amounting to HK$102 million (2014: HK$10 million), as a result of the aforementioned depreciation of the Renminbi against the Hong Kong dollar. Disregarding this, the Group recorded saving in net operating expenses of some HK$60 million in the current year as the monetisation plan progresses.

Construction

The construction business in Hong Kong and Macau reported higher profit on increased turnover for the current year. Average net profit margin however decreased to 1.9% of turnover, from 2.3% in the previous year, mainly because of the upsurge in labour costs and the HK$10 million cost provision for the lead-in-water incident.

In October 2014, the Group completed the disposal of its construction business in the Chinese Mainland and recognised a net disposal gain of HK$9 million.

Cement operations

In August 2015, the disposal of the Group's 45% interest in LSOC for a cash consideration of HK$2.55 billion was completed, and a net disposal gain of HK$416 million was recognised, after taking into account the release of HK$767 million cumulative gains previously credited to the translation and other reserves.

LSOC saw an increase in loss for the current year on falling cement prices and sales volume as the over-capacity problem in southwest China continued to prevail. The Group took up its 45% share of loss of LSOC up to the period ended 30 June 2015, after the aforementioned disposal became unconditional in the first half of July 2015.

Net finance costs

Net finance costs decreased to HK$206 million for 2015, from HK$258 million for 2014, which was in line with the reduction in bank and other borrowings during the current year.

Corporate overheads and others

Increase in expenses for 2015 was mainly due to HK$19 million exchange loss on the receivables due from the Group's remaining cement companies in Guizhou as a result of the depreciation of the Renminbi against the Hong Kong dollar during the year.

ASSETS BASE

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

	31 December 2015 HK$ million	31 December 2014 HK$ million
Total assets	12,339	18,520
Net assets	5,542	7,833

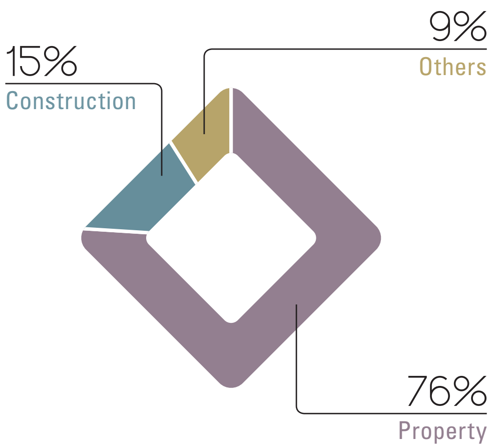
	HK$	HK$
Net assets per share	11.4	16.2

Total assets of the Group decreased to HK$12.3 billion at 31 December 2015 from HK$18.5 billion at 31 December 2014, which will be explained in the segment analysis below. The decrease in net assets of the Group and net assets per share was largely attributable to (a) the HK$1,126 million loss for the year; (b) the release of HK$767 million cumulative gains from the translation and other reserves upon disposal of the Group's 45% interest in LSOC; and (c) reduction in the translation reserve of HK$374 million as a result of the depreciation of the Renminbi against the Hong Kong dollar.

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

	31 December 2015 HK$ million	%	31 December 2014 HK$ million	%
Property	9,439	76	12,575	68
Cement – LSOC	–	–	3,177	17
Construction	1,817	15	1,689	9
Others	1,083	9	1,079	6
Total	12,339	100	18,520	100

Total Assets By Business Segments:



In 2015, the Group achieved three major asset disposals, namely its 45% interest in LSOC, 65% interest in Beijing Centrium Residence and 80% interest in the Shanghai 21st Century Tower project, and concluded sales of certain property inventories in Guangzhou and Shanghai, which yielded total gross proceeds of approximately HK$4.3 billion. These sales proceeds were largely applied towards repayment of the Group's bank borrowings and settlement of other liabilities. As a result, the Group saw a significant decrease in total assets, in particular property and cement assets, during the year.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company decreased to HK$5,542 million on 31 December 2015, from HK$7,833 million on 31 December 2014, which was mainly attributable to the reasons as mentioned above.

The realisation of the Group's property projects and inventories in the Mainland and its investment in LSOC has significantly reduced the total bank and other borrowings by approximately 50% to HK$3,335 million on 31 December 2015, from HK$6,640 million on 31 December 2014. Net bank and other borrowings of the Group, which represented bank and other borrowings, net of bank balances, deposits and cash, amounted to HK$1,163 million on 31 December 2015, as compared with HK$4,205 million on 31 December 2014.

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

	31 December 2015 HK$ million	31 December 2014 HK$ million
Bank and other borrowings repayable:		
Within one year	**2,914**	6,268
After one year but within two years	**222**	140
After two years but within five years	**199**	232
Total bank and other borrowings	**3,335**	6,640
Bank balances, deposits and cash	**(2,172)**	(2,435)
Net bank and other borrowings	**1,163**	4,205

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, decreased substantially to 21.0% at 31 December 2015, from 53.7% at 31 December 2014.

TREASURY POLICIES

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

The Group's bank borrowings are mainly denominated in Hong Kong dollars and have been arranged on a floating-rate basis. Investments in the Chinese Mainland are partly funded by capital already converted into Renminbi and partly financed by borrowings in Hong Kong dollars. Renminbi financing is primarily at project level where the sources of repayment are also Renminbi denominated. Given that income from operations in the Chinese Mainland is denominated in Renminbi and property assets in the Chinese Mainland are normally priced in Renminbi on disposal, the Group expects that the fluctuations of Renminbi in the short-term will affect the Group's business performance and financial status. No hedging against Renminbi exchange risk has currently been arranged. The Group will convert part of its existing Hong Kong dollars borrowings into Renminbi to reduce currency risk exposure and may take out appropriate financial instruments, at reasonable cost, to hedge against potential foreign exchange risk in the short-term. It is the Group's policy not to enter into derivative transactions for speculative purposes.

EMPLOYEES

At 31 December 2015, the number of employees in the Group was approximately 1,340 (31 December 2014: 1,240) in Hong Kong and Macau, and 550 (31 December 2014: 600 – restated to exclude employees of LSOC) in subsidiaries and joint ventures in the Chinese Mainland. Employee remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits, including provident fund schemes and medical insurance, remained at appropriate levels. The Group continued to retain and develop talents through executive development and management trainee programmes. Based on the financial performance of the Group as well as the individual performance and contribution of the staff members each year, share options may be granted to senior management and staff members under different schemes as reward and long-term incentives. Likewise, in the Chinese Mainland, staff benefits are commensurate with market levels, with an emphasis on building the corporate culture and providing professional training and development opportunities for local employees. It remains our objective to be regarded as an employer of choice to attract, develop and retain high calibre competent staff.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE SOCIAL RESPONSIBILITY

REPORT

CONTENTS

CORPORATE
SOCIAL RESPONSIBILITY REPORT

SOCAM's corporate culture is based on the Shui On Group's adherence to a comprehensive set of corporate governance principles, and our commitment to quality, integrity, innovation and excellence in everything we do.

Shui On Corporate Mission Statement, introduced in 1984, sets the foundation for building our corporate culture and it embodies our emphasis on corporate social responsibilities. It defines our core objectives regarding a sustainable business model, our relationships with clients, responsibilities to our people and our management philosophy and corporate culture.

We believe in:

- cultivating a set of shared values on which all our policies and actions are based;
- integrity, objectivity and fair play in business and staff relationships to foster mutual trust and respect;
- providing our clients with quality service and products;
- an environment in which our people can excel, develop and grow with the company.

In 1993, the Shui On Group embarked on its Total Quality Management journey, and we were among the earliest business operations to adopt ISO standards in areas such as Environmental Management and Occupational Health and Safety Management, progressively employing unambiguous and systematic procedures to be embraced by all personnel as well as building a health, safety and environment-friendly culture among our staff.

As early as 1982, the Shui On Seagull Club was formed which organised and promoted community service activities among staff. Before that, Shui On had already set up a Training Department, underlining its commitment to staff training and development.

SOCAM's overall CSR principles were then foregrounded and codified in a Policy Statement of 2008, with coordination and oversight undertaken by a CSR Steering Committee.

UPHOLDING OUR CSR COMMITMENT

In a changing world, SOCAM's CSR responsibilities are not static. We remain alert to the rapid technology developments and methodologies that allow us to save power and reduce our carbon footprint. In 2015, we reduced our Greenhouse Gas (GHG) emissions by 12% compared to last year. Our timber consumption dropped gradually as we increased use of reusable aluminum formwork.

Despite facing operating headwinds as we refine our business focus, the Company has been able to sustain our CSR commitment. Last year, our staff volunteering hours, in reaching out to the wider community, increased by 21%.

For our people, we focus on training programmes and development opportunities to enhance their personal growth, a rigourous concern for site safety as well as general staff health and wellbeing, making Shui On a better place to work.

SOCAM'S THREE CSR IMPERATIVES

THE COMMUNITY, THE ENVIRONMENT, OUR PEOPLE

SOCAM's 'We Care' spirit dates back to 1982. Through the Shui On Seagull Club, a staff charitable association, we encourage our employees to participate in volunteering work serving the needy.

As concerns about resource depletion and a changing climate became a global imperative, SOCAM had begun to upgrade our approach to building construction and landscaping for a more sustainable environment, introducing ways to reduce GHG emissions and improve waste management and re-use of materials.

We look for every possible way to ensure the safety of our workforce. Over the past five years our accident rates per 1,000 workers have been consistently below that of the industrial accident rate average.

Of parallel concern is the personal growth, development and wellbeing of all employees.

In all areas, we put in place measures to quantify our CSR performance. Through internal and external audits, we are able to find further incentive for improvement.

Our CSR reporting follows guidelines and principles laid down by the Environmental, Social and Governance Reporting Guide of the Stock Exchange of Hong Kong that covers areas including Environmental and Social considerations.

Barrier Free City Orienteering Competition

Nanjing Tree Planting

Workshops for Children with Special Education Needs

OUR STAKEHOLDERS

SOCAM's core businesses involve property and construction. As a listed company in Hong Kong, we uphold a strong commitment to corporate governance and open communications. The following table outlines our relationships with our key stakeholders:

Subcontractors And Suppliers

Sub-contracting is a necessary and valuable part of our resource base. We work closely with our partners through regular meetings and target seminars to ensure a seamless understanding of our project standards and adherence to health and safety measures. We organised safety and environmental workshops for subcontractors and their site-in-charges where more than 246 participants were present. We recorded a total of 97,055 man-hours in all on-site health, safety and environment training.

Investors/Shareholders

Transparency and clarity are key to investor confidence. Through our website, annual general meetings and special general meetings, we maintain an ongoing active dialogue with shareholders. During the year, a number of investor meetings were conducted.

Employees

We conduct open and transparent performance appraisals. Training courses, Intranet channels, staff newsletters and management access help facilitate better communications.

General Public

Construction project offices keep a close relationship with the local neighbourhood to ensure the minimal impact on daily lives. Our staff also engages with local communities through active volunteering.

Media

Regular press releases, meetings and responsiveness to enquiries allow us to keep an open dialogue with the general public.

Clients

Our relationship with clients is well-established, and we are dedicated to conducting open dialogue through regular meetings and communication. We regard SOCAM's reputation for on-time, on-budget project delivery as paramount. A target seminar is held every year where government authorities and clients are invited to give speeches to management staff and subcontractor representatives. More than 254 participants attended in 2015.

Tenants

SOCAM property projects seek to create high-functionality interiors and a pleasurable exterior environment.

Property Buyers

From purchase to after-sales, we seek to engender long-term satisfaction and relationships.

KEY FIGURES IN 2015

Number of full-time staff
1,440
2014: 1,575

Accident rate per 1,000 workers
9
2014: 8
*Figures of Shui On Building Contractors, Shui On Construction, Pacific Extend and Pat Davie

Greenhouse gas emissions (Tonnes CO_2e)
reduction 12%
68,013
2014: 77,361

Number of staff participation in volunteering
617
2014: 512

Number of volunteering hours participation
4,368 hours
2014: 3,602 hours

Number of staff training hours
18,331 hours/
12.7 hours per staff
2014: 18,234 hours/
11.6 hours per staff

Corporate donation and sponsorship for charitable/ non profit-making causes
HK$2.33 million
2014: HK$2.9 million

AWARDS AND RECOGNITION

- Caring Company Logo by The Hong Kong Council of Social Service for nine consecutive years
- The 6th Hong Kong Outstanding Corporate Citizenship Award Enterprise Category (Merit Award) and Volunteer Team Category (Bronze Award) by Hong Kong Productivity Council

ENVIRONMENTAL PERFORMANCE

- (Merit Award) Hong Kong Awards for Environmental Excellence 2014 Construction Industry – So Uk Estate Phase 1
- (Merit Award) 21st Considerate Contractors Site Award Scheme – Outstanding Environmental Management and Performance Award – CLP Power's Premises
- Wastewi$e Certificate of the Hong Kong Green Organisation – So Uk Estate Phase 1 and 2

SAFETY

- (Gold Award) Safety Management System Award in the 14th Hong Kong Occupational Safety & Health Award
- (Gold Award) Construction Safety Forum and Award Presentation 2015 – Best Safety Culture Activity Team – Public Rental Housing Development at San Po Kong
- (Gold Award) Construction Industry Safety Award Scheme 2014/2015 – Minor Renovation & Maintenance Works – CLP Power's Premises
- HKCA Proactive Safety Contractors Award for the year 2014 by Hong Kong Construction Association

COMMUNITY INVOLVEMENT

- SUPPORTING YOUTH DEVELOPMENT
- CARING FOR THE ELDERLY AND DISADVANTAGED
- OUR VOLUNTEER TEAM

SOCAM continued to reach out into the communities in which we operate, offering financial help, opportunities for advancement and care, concern or support from staff volunteers.

During the year, community volunteering hours by SOCAM staff increased by 21%, as more friends and relatives of our employees participated in the events to extend fellowship and goodwill. In 2015, we donated approximately HK$2.33 million to different community causes with a core focus on the training and development of children and youth, the wellbeing of the elderly and poverty relief. As a key industry player in construction, we also constantly support occupational health and safety activities and industry events.

CORPORATE DONATIONS TO COMMUNITY CAUSES

42% Youth and Children

25% Poverty Relief

19% Industry Development

4% Healthcare

10% Elderly and Disabled

Young Samaritans Peer Support Programme

SUPPORTING YOUTH DEVELOPMENT

Supporting opportunities for youth development has long been an important focus of the Group's corporate social responsibility programme. Over the years, SOCAM has been privileged to be able to provide our support through various programmes in order to promote learning and self-confidence for the betterment of and individual's values and opportunities for the benefit of the wider community. In 2015 we have donated to, among others, the following initiatives:

- The Samaritans – Young Samaritans Peer Support Programme to provide peer support to distressed youths in response to a growing concern over the number of teenagers committing suicide.
- Ronald McDonald House Charities Hong Kong to support families with seriously sick children
- Asian Youth Orchestra – Scholarship open to young musicians
- Principal Chan Free Tutorial World – Playgroup for Toddlers for low-income families
- Support to orphanages and children in Guizhou, Chengdu, and Shanghai

We also provide an internship programme for the young people to gain practical experience in the industry so as to facilitate their future career planning. 44 interns were recruited and worked in various departments in 2015.

CARING FOR THE ELDERLY AND DISADVANTAGED

The elderly population in Hong Kong has increased 5% in the last 15 years and is forecast to increase further over the next 10 years. It currently makes up 17% of the population. The Chinese Mainland mirrors this ageing demographic trend. The gradual demographic change brings along different social needs.

Our volunteers are devoted to build outreach relationships for our senior citizens, and are putting in more efforts in making regular home visits and organising gatherings for the elderly, particular during festive seasons. Shui On Seagull Club is a long-term partner with the Young Women's Christian Association to provide services to care for the elderly living in Sham Shui Po district in Hong Kong. Themed 'Experience a Colourful Life', we organised outings for the elderly to the Peak, a Mid-Autumn Festival party with special performances, and handmade craft sessions. Volunteers bought soup regularly for the elderly to foster a sense of belongings and help reduce their feeling of isolation.

Upholding the same commitment, our project offices in the Chinese Mainland are active in reaching out to the elderly in the communities in which we operate. In Guizhou, volunteers paid visits to the elderly who live alone in rural areas, to show care and provide them with certain daily necessities.

In addition to the elderly, SOCAM also reaches out to the disabled. Our volunteers joined the 'Barrier Free City Orienteering Competition' organised by the Hong Kong PHAB Association by teaming up with the disabled in outdoor adventure. Also, in Guangzhou, volunteers paid visits to the local rehabilitation centre, with ten staff participating.

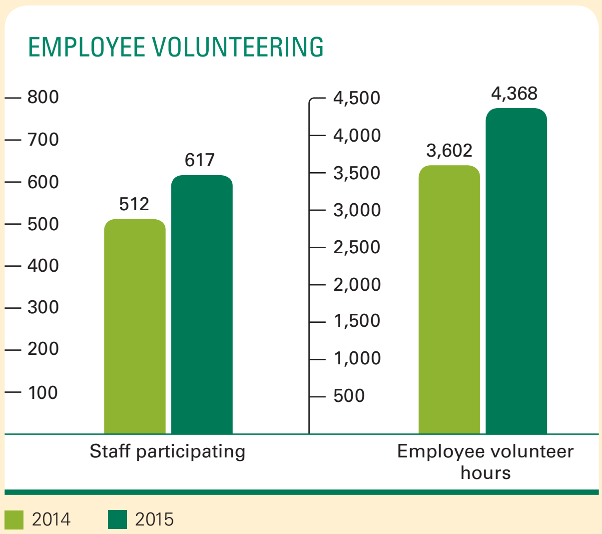
OUR VOLUNTEER TEAM

We continued to extend our involvement in local community development. In Hong Kong, working hand-in-hand with the Hong Kong Family Welfare Society, we served children with special education needs through drum workshops, planting and art classes in order to explore their potential, and to encourage essential life-long learning experiences.

Our volunteers joined a large-scale voluntary event '30-Hour Famine' camp organised by World Vision Hong Kong where we gave support in group activities for the participants. Our volunteers also joined and co-organised rehabilitation sports days with the Hong Kong PHAB Association to promote sports and social inclusion. This year we again took part in the 'Stargaze Camp' organised by the Social Welfare Department of HKSAR Government to show our continuous support to the disadvantaged. 'Race for Water' was another activity where we experienced the hardship of peasants living in arid areas of China and raised funds for improving their lives.

Other major activities included participation in youth mentorship programmes, collecting used books for charity organisations to promote reading, raising money through the Group's annual charity walk for buying equipment for an elderly centre to address the daily needs of the elderly, and engagement in charity sports races, orienteering competitions and blood donation.

In 2015, SOCAM organised 35 volunteering events to help those in need. The company also promotes outreach activities during the working week under SOCAM'S community service leave policy.



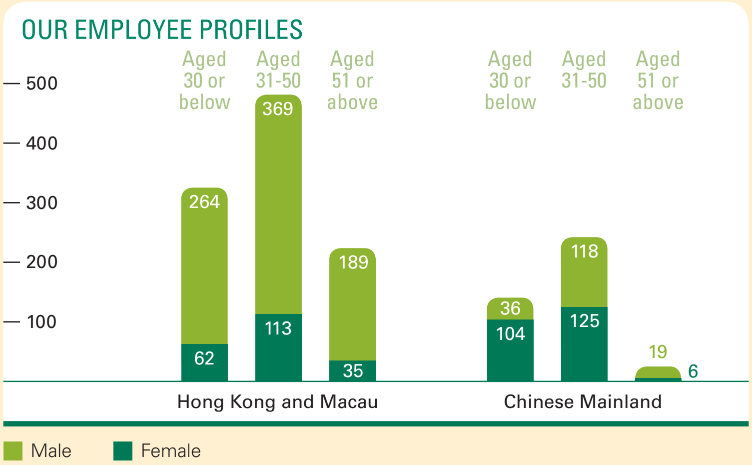
1: ‘From Darkness to Sunrise’ City Orienteering Competition
2: Children’s Day Activity for Primary School Students in Chengdu
3: Mid-Autumn Party for Children with Special Education Needs and the Elderly
4: MTR Race Walking
5: Rehabilitation Sports Day
6: Skip-a-meal in Nanjing
7: Race for Water 2015
8: Christmas activity for Left-behind Children in Shenyang
9: Stargaze Camp for All and the Blind


PEOPLE

- HEALTH AND SAFETY
- EMPLOYEE WELLBEING
- TRAINING AND DEVELOPMENT
- ANTI-CORRUPTION

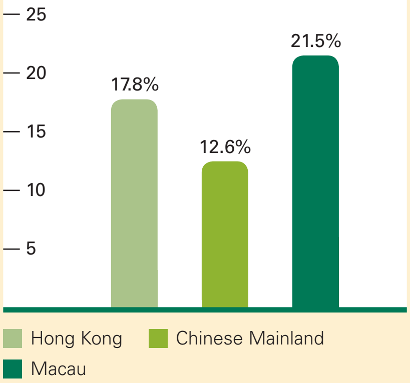
Site Visit for Graduate Engineers

TOTAL NUMBER OF FULL-TIME STAFF
at 31 December 2015
1,440
2014: 1,575



As at 31 December 2015, we employed a total of 1,440 full-time staff, located in Hong Kong, Macau and the Chinese Mainland.

SOCAM has established a loyal workforce and has built competent teams in its operations. In recent years, SOCAM continued to attract, retain and develop talents in the highly competitive construction industry in Hong Kong through executive development and management trainee programmes. Increasing construction activities and projects in Hong Kong will continue drive demand for talents, and it remains our objectives to be regarded as an employer of choice to retain high caliber competent staff. Our attrition rates averaged 17% in 2015.



HEALTH AND SAFETY

Health and safety is a high priority especially for our construction operations which were among the first in Hong Kong to achieve internationally recognised standards such as OHSAS 18001. We have successfully secured the certification of International Safe Workplace designated by the World Health Organisation (WHO). Senior management actively leads initiatives involved in our 3-tier Health, Safety and Environment (HSE) organisation, and commits to providing all necessary for effective implementation in this aspect.

OUR POLICY STATEMENT

1

Considerations for HSE shall be given the highest priority in matters of design, methods and equipment.

2

The concern for HSE is the responsibility of every employee and subcontractor of the company.

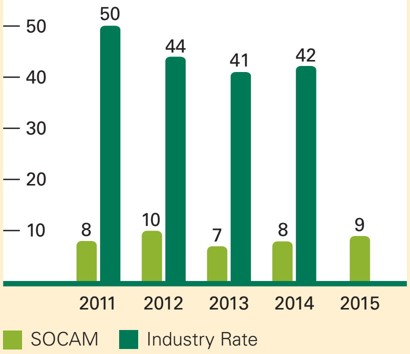
3

Through continuous upgrading of standards, the company's ultimate aim is to reduce the number of industrial accidents to the minimum; provide a healthy and pleasant working environment.

ACCIDENT RATE:

We strive to keep our health and safety best practices and procedures under constant review with the aim of achieving continuous improvement, and maintain a rigorous 'Safety First' policy. Over the past five years our accident rates per 1,000 workers have been consistently below that of the industry average. In 2015, we recorded a total of 44 accidents, which represents a rate of nine cases per thousand workers. None were fatal cases.

ACCIDENT RATE (NUMBER OF ACCIDENTS PER 1,000 WORKERS)



TYPE AND NUMBER OF WORK INJURY

	2015	2014
Fatal	0	0
Non-fatal	44	32
Injury rate (per 1,000 workers)	8.56	7.74

In 2015, SOCAM's construction division recorded a total of 97,055 numbers of participation, including subcontractors' workers, for specific site health, safety and environmental training (86,944 in 2014).

Safety Newsletter

To encourage innovative ideas for solving HSE issues, an in-house Health, Safety and Environment Innovation Award was organised. Eight innovative entries were received; Plant & Machinery Department prevailed for its project on Auxiliary Wheel for Trolley.

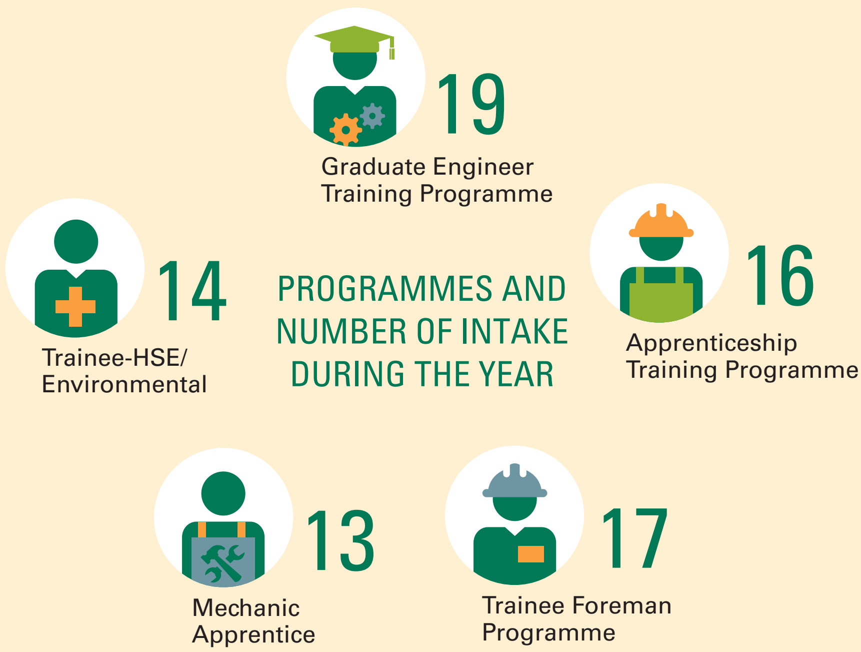
Systematic review of method studies on operational practices and training needs were conducted along with a series of initiatives to reinforce site safety culture. A safety measuring system is in place to reward safety model workers with medical check-ups and family gatherings. A family picnic day was held with total participants of 170, including safety model workers, safety prefects and their family members.

TRAINING AND DEVELOPMENT

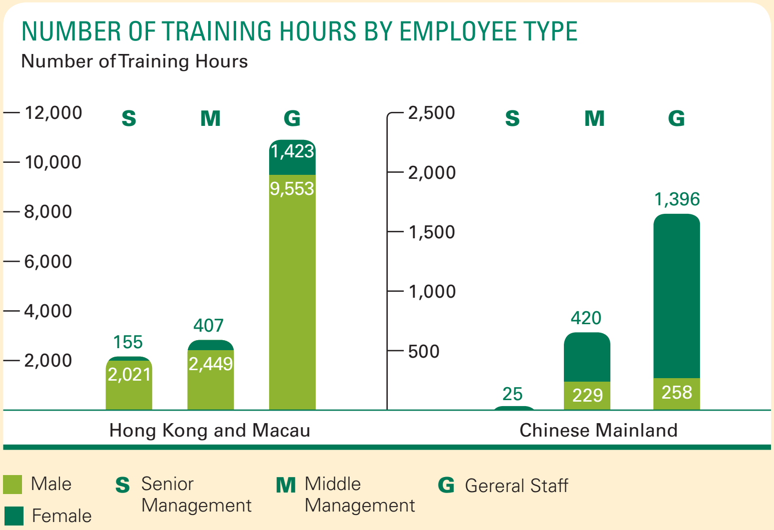
SOCAM continues to promote a learning culture which has over the years been a pillar of our corporate culture. We have a complete set of Training Policy in place to provide guidelines and terms of reference for various initiatives in providing, supporting and facilitating measures to upgrade professional, technical and managerial competencies.

Our Career Development Programme has been a key driver for a continuously high quality workforce supply. These structured training programmes are designed and delivered to help staff develop different job functions. Trainees will receive on-the-job training covering both technical and soft-skills expertise.

Young Lu Pan Award Winners



There are various implementation programmes which the Company adopts for developing professional and technical competency. We operate a comprehensive training sponsorship programme in order to support employees to pursue self-development. During the year we committed some 18,331 man-hours to external and in-house training.



EMPLOYEE WELLBEING

At SOCAM, we value each employee as a member of the Shui On community and seek to ensure their overall wellbeing. We adopt a holistic approach embracing physical, emotional, recreational, intellectual and occupational aspects. In Hong Kong, to enhance work-life balance and employee relations, the Shui On Recreation Club, which is funded by the Company, organized sports, outings and social activities. 21 events including celebration parties, health talks and fruit days were organised for employees, with over 3,100 numbers of participation with the aim of enhancing our people's sense of belonging and team solidarity.

Art Jamming

ANTI-CORRUPTION

Shui On is committed to maintaining a high standard of corporate governance which is built on a solid foundation of integrity and trust. We have policies and measures in place to guide and facilitate our employees in holding high ethical standards, these include a Business Ethics Policy, Employee Codes of Conduct, and Whistle Blowing Policy.

Shui On has joined hands with the Independent Commission Against Corruption (ICAC) to conduct integrity training for our employees since 1988. This training is held regularly to pinpoint corruption-prone areas, provide practical advice on procedural safeguards and integrity management. This helps to develop best practices, strengthen internal controls and minimise corruption risks.

In 2015, 32 such training sessions were conducted, attended by management and general staff with a total of 886 numbers of participation.

ENVIRONMENT

- CARBON EMISSION REDUCTION
- WASTE MANAGEMENT
- ENERGY & WATER CONSERVATION

Hong Kong Tree Planting

SOCAM takes a holistic approach to minimising our environmental impact while concerning ourselves with the detail in every regard. We focus on reducing our carbon emission, waste management, and conserving energy and natural resources. In all these areas we have written policy statements drawn-up and implemented by our HSE steering committee. Whenever necessary, these policy statements, reviewed regularly, provide targets in behaviour-based safety schemes, safe climate surveys and energy performance indicators.

Shui On Building Contractors and Shui On Construction have obtained ISO 14001:2004 certification for our Environmental Management System. In the annual review in 2011, the Hong Kong Quality Assurance Agency confirmed that our EMS monitoring capabilities exceed regulatory requirements and that the re-use of materials across different work sites shows a high degree of planning and innovation.

During the year, SOCAM fully complied with all the relevant laws and regulations that have a direct bearing on our business activities.

CARBON EMISSION REDUCTION

SOCAM operates under ISO 14064 certification which sets down principles and requirements for quantifying and reporting GHG emissions. In achieving reduction, we use devices like timer controls and motion sensors for electrical appliances and lighting systems, adoption of LED lighting, and solar power water heater systems.

We have verified our GHG emission since 2013 with satisfactory results. Our annual carbon emissions are much influenced by our on-site project activity over the year. In 2015, our total Co_2e emission were 68,013 tonnes, which comprises on scope 1 (direct emissions), and scope 2 (indirect emissions) and scope 3 (other indirect emissions). There are some effective directives we can, and have, put in place:

- Regular maintenance of all site equipment to enhance operational performance, energy efficiency and working life span
- Reduction in the number of trips by debris disposal vehicles through implementation of waste management plans
- Refueling with ultra-low sulphur diesel in all plant machinery to reduce pollution
- Shutting down all vehicles and generators when not in immediate use

Chongqing Tree Planting

REPORT GHG EMISSION DATA (tonnes CO_2e)

	2015	2014
Scope 1	2,259.3	1,277.9
Scope 2	4,843.9	1,934.4
Scope 3	60,909.6	74,148.7
Total	**68,012.8**	**77,361.0**

*2015 figure includes SOCAM office and five construction sites

WASTE MANAGEMENT

SOCAM's Waste Management Policy sets down the overriding principle of 'reduce, re-use and recycle' to be adopted in materials utilisation whenever practicable for conserving resources.

Over the last two years, we advanced our use of aluminum formwork by 70%. Formwork is the superficial frame of a building into which concrete is poured, and aluminum has clear environmental advantages over traditional timber formwork. The former can be recycled up to 300 times whereas its timber equivalent has just a 10-time useable span. Our adoption of aluminum together with the use of precast concrete elements greatly cut down on waste as it conserves forest resources, one of the current most important environment issues.

By way of practical example, two public housing projects of 33 storeys can save 52,000 square feet of timber framework by using aluminum and precast concrete elements.

The implementation of a 'Polluter Pays Principle' is an on-site reminder to ensure the clutter-free cleanliness of our construction sites and to reduce the wastage of materials.

SOCAM operates an online platform for materials exchange between construction sites. As different projects are often in different stages of development, this optimises use of resources and recycling benefits.

We continued to adopt Green Procurement Guidelines and other green practices and measures in our daily operations, and facilitated waste reduction and recycling by collecting recyclable materials such as rechargeable batteries, toner cartridges, plastic bottles and paper. Adoption of smartphone at construction sites also reduces paper usage as well as increasing communication efficiency.

ENERGY & WATER CONSERVATION

SOCAM targets a BEAM Plus Platinum Rating, issued by the Hong Kong Green Building Council, for all its major building projects. To achieve this highest standard requires a range of planning, design and construction decisions from the earliest stages of development, all in compliance with our Energy Policy Statement. The building's conservation of energy and water usage is one of the central tenets of accreditation. We aim at roof materials meeting a high solar reflective index, or vegetation covering a large part of the roof area. In interior design we seek an approximately 30% energy reduction for artificial lighting. In water conversation, we install water appliances with Water Efficiency Labelling Scheme Grade 2 and dual flush toilets to significantly reduce water consumption. Waste water treatment plants were also installed on site to encourage water reuse, to reduce freshwater consumption and government's central waste water treatment plants.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

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

Throughout the year ended 31 December 2015, the Company complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for certain deviations as specified with considered reasons below.

THE BOARD

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

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

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

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

Composition

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

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

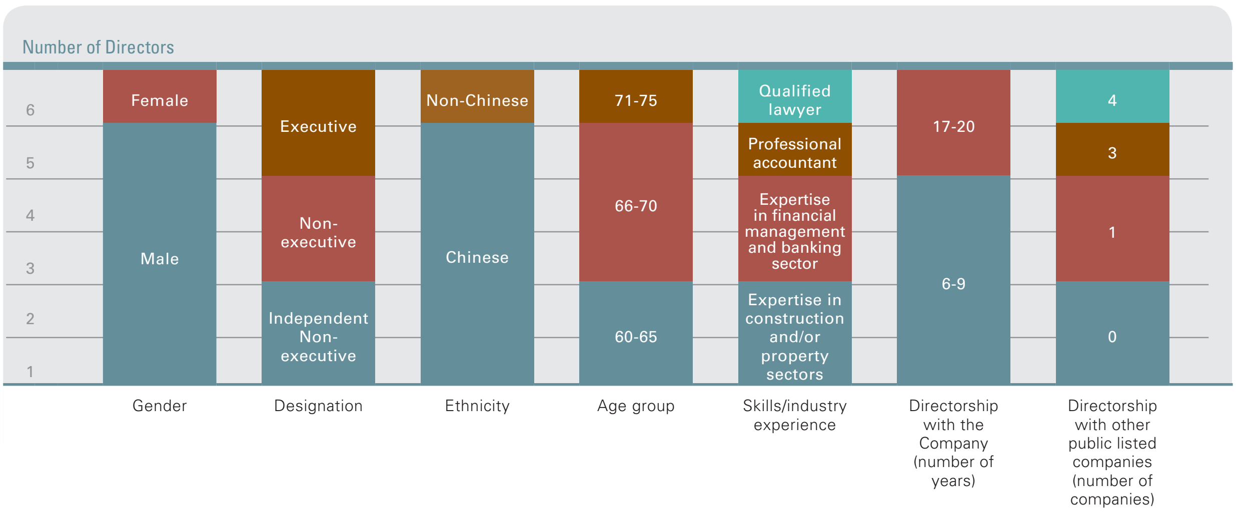
Mr. Wong Kun To, Philip, being a former Non-executive Director of the Company, did not stand for re-election and retired at the annual general meeting of the Company held on 29 May 2015. With effect from 20 November 2015, Mr. Gerrit Jan de Nys has been re-designated from the role of Independent Non-executive Director to Non-executive Director of the Company. In addition, Mr. Choi Yuk Keung, Lawrence, being the former Vice Chairman and Managing Director of the Company, retired from the employment and accordingly from the Board with effect from 31 December 2015.

Following the above changes to the Board composition, the Company has two Independent Non-executive Directors, representing one-third of the total number of Directors of the Company, with one of them possessing appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. The number of Independent Non-executive Directors of the Company falls below the minimum number required under the Listing Rules. During the past months, the Company has been identifying suitable candidates to fill the vacancy of Independent Non-executive Director but with no success to-date. The Company will use its best endeavours to identify a suitable candidate to fill the vacancy as soon as practicable to meet the requirement of the Listing Rules.

The Company has received written annual confirmation from each Independent Non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers both of its Independent Non-executive Directors to be independent of management and free of any relationship that could materially interfere with the exercise of their judgment.

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

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



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

Chairman and Managing Director

The distinct roles of the Chairman and the Managing Director are acknowledged. Their respective responsibilities are clearly defined in the Board Charter, as amended following a review by the Board at the year end.

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

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

Appointment, re-election and removal of Directors

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

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

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

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

In accordance with the Bye-laws of the Company, Mr. Tsang Kwok Tai, Moses and Mr. Chan Kay Cheung shall retire by rotation at the forthcoming annual general meeting of the Company to be held on 23 May 2016. Both the said Directors, being eligible, will offer themselves for re-election at the annual general meeting.

Board Committees

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

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

Code provision B.1.2 of the CG Code provides that the terms of reference of the Remuneration Committee should include, as a minimum, the responsibilities to (i) determine or make recommendations to the Board on the remuneration packages of the individual Executive Director and senior management; (ii) review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment; and (iii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives. The Remuneration Committee has reviewed its functions and considered that these responsibilities in relation to the remuneration and compensation of management should be vested in the Executive Directors who have a better understanding of the level of expertise, experience and performance expected of the management in the daily business operations of the Group. The Remuneration Committee would continue to be primarily responsible for the review and determination of the remuneration package of the individual Executive Director. After due consideration, the Board adopted the revised terms of reference of the Remuneration Committee with the said responsibilities in relation to the remuneration and compensation of management excluded from its scope of duties, which deviates from code provision B.1.2.

Notwithstanding such deviation, the Remuneration Committee is still responsible for reviewing, approving and making recommendations to the Board on the guiding principles applicable to the determination of the remuneration packages of senior management.

Having reviewed the practices and procedures of remuneration committees in other jurisdictions, the Remuneration Committee decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration. Such recommendations were made to the Board by the Chairman of the Company, taking the advice of external professionals as appropriate. This practice was formally adopted, and the Board approved the amendment to the terms of reference of the Remuneration Committee in this respect, which deviates from the stipulation in code provision B.1.2 that the Remuneration Committee should make recommendations to the Board on the remuneration of Non-executive Directors. The Non-executive Directors abstain from voting in respect of the determination of their own remuneration at the relevant Board meetings.

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

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

Major roles and functions	Composition	Frequency of meetings
• To review the structure, size and composition of the Board at least annually • To identify, select and make recommendations to the Board on individuals nominated for appointment as Directors • To assess the independence of Independent Non-executive Directors • To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors • To review annually the time commitment required of Directors • To review the Board Diversity Policy and monitor its implementation	**Executive Director** Mr. Lo Hong Sui, Vincent *(Chairman)* **Independent Non-executive Directors** Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung (Notes 1 and 2)	At least once a year

Finance Committee

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

Investment Committee

Major roles and functions	Composition	Frequency of meetings
• To review preliminary and detailed investment and disposal recommendations on target property projects and projects currently owned by the Group respectively • To make recommendation to the Board as to whether the Group should acquire a property project or, as the case may be, dispose of a property project and if so, the terms, timing and strategy • To review the overall investment/divestment strategy of the Group, make recommendation to the Board on any proposed change to the strategy, and monitor its implementation	**Executive Director** Mr. Wong Fook Lam, Raymond *(Chairman)* **Independent Non-executive Directors** Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung (Notes 3 and 4)	On an as needed basis

Executive Committee

Major roles and functions	Composition	Frequency of meetings
• To monitor the macro business environment and market trends with respect to the current and potential business areas of the Group • To evaluate and set business strategies for ensuring the long-term growth and competitiveness of the core business of the Group • To formulate corporate goals and plans and allocate human and financial resources for execution • To monitor the execution of approved strategies and business plans • To review and approve acquisitions and disposals of assets in the ordinary course of business with investment costs/net book values not exceeding certain thresholds • To review the operating performance and financial position of the Company and its strategic business units on a monthly basis	**Executive Directors** Mr. Wong Fook Lam, Raymond *(Chairman)* Mr. Lo Hong Sui, Vincent **Other key executives** (Notes 3 and 4)	Monthly

Notes:

1. Mr. Gerrit Jan de Nys ceased to be a member of the Nomination Committee following his re-designation from the role of Independent Non-executive Director to Non-executive Director of the Company with effect from 20 November 2015.
2. Ms. Li Hoi Lun, Helen, an Independent Non-executive Director of the Company, was appointed as a member of the Nomination Committee with effect from 20 November 2015.
3. Mr. Choi Yuk Keung, Lawrence ceased to be a member and the Chairman of the Investment Committee and the Executive Committee following his retirement from the Board with effect from 31 December 2015.
4. Mr. Wong Fook Lam, Raymond, the Managing Director and Chief Financial Officer of the Company, being a member of the Investment Committee and the Executive Committee, was appointed as the Chairman of these Committees with effect from 31 December 2015.

The work performed by the Audit Committee, the Remuneration Committee and the Nomination Committee is summarised in the separate reports of these Committees contained in this Annual Report.

Board and Board Committee meetings

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

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

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

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

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

Access to information

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

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

Directors' commitment

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

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

	Number of meetings attended/entitled to attend								
Name of Director	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meeting	Finance Committee meetings	Investment Committee meeting	Executive Committee meetings	Annual general meeting	Special general meetings
Mr. Lo Hong Sui, Vincent	4/4	N/A	2/2	1/1	N/A	N/A	10/10	0/1 (Note 1)	0/3
Mr. Wong Fook Lam, Raymond	4/4	N/A (Note 2)	N/A	N/A	4/4	1/1	7/10	1/1	3/3
Mr. Tsang Kwok Tai, Moses	2/4	N/A	N/A	N/A	2/4	N/A	N/A	0/1	0/3
Mr. Gerrit Jan de Nys	3/4	3/4	N/A	0/1 (Note 3)	4/4	N/A	N/A	1/1	1/3
Ms. Li Hoi Lun, Helen	4/4	4/4	2/2	N/A (Note 4)	N/A	1/1	N/A	1/1	3/3
Mr. Chan Kay Cheung	4/4	4/4	2/2	1/1	4/4	1/1	N/A	1/1	3/3
Mr. Wong Kun To, Philip (retired on 29 May 2015) (Note 5)	0/2	N/A	N/A	N/A	N/A	N/A	N/A	0/1	N/A
Mr. Choi Yuk Keung, Lawrence (retired on 31 December 2015) (Note 6)	3/4	N/A	N/A	N/A	N/A	1/1	9/10	0/1	2/3

Notes:

1. As stipulated in code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting of the Company. Due to other business commitments in Shanghai, Mr. Lo Hong Sui, Vincent, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 29 May 2015. In his absence, the Managing Director and Chief Financial Officer of the Company chaired the meeting to answer shareholders' questions about the Group's affairs.
2. By invitation, Mr. Wong Fook Lam, Raymond, as the Chief Financial Officer, attended all meetings of the Audit Committee.
3. Mr. Gerrit Jan de Nys ceased to be a member of the Nomination Committee with effect from 20 November 2015.
4. Ms. Li Hoi Lun, Helen was appointed as a member of the Nomination Committee with effect from 20 November 2015. By invitation, she attended the Nomination Committee meeting which was held before her appointment.
5. Mr. Wong Kun To, Philip retired as a Director at the annual general meeting of the Company held on 29 May 2015.
6. Mr. Choi Yuk Keung, Lawrence retired from the employment and accordingly stepped down from the Board as well as the Investment Committee and the Executive Committee with effect from 31 December 2015.

Induction, training and continuous professional development

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

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

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

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

Participating Directors	Seminar in March 2015 (Note 1)	Seminar in August 2015 (Note 2)	Seminar in December 2015 (Note 3)
Mr. Lo Hong Sui, Vincent	✓	✓	N/A
Mr. Wong Fook Lam, Raymond	✓	✓	✓
Mr. Tsang Kwok Tai, Moses	✓	–	N/A
Mr. Gerrit Jan de Nys	–	✓	✓
Ms. Li Hoi Lun, Helen	✓	✓	✓
Mr. Chan Kay Cheung	✓	✓	✓
Mr. Wong Kun To, Philip (retired on 29 May 2015)	–	N/A	N/A
Mr. Choi Yuk Keung, Lawrence (retired on 31 December 2015)	✓	✓	N/A

Notes:

1. Seminar on amendments to the Listing Rules in relation to (i) risk management and internal control section of the CG Code; and (ii) disclosure of financial information with reference to the new Hong Kong Companies Ordinance and Hong Kong Financial Reporting Standards, organised for the Board and presented by an external solicitor
2. Seminar on debt capital markets (the basics for issuers), organised for the Board and presented by an external solicitor
3. Seminar on amendments to the Listing Rules in relation to (i) risk management and internal control; and (ii) environmental, social and governance reporting, organised for the Audit Committee and presented by the external auditor of the Company

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

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

Performance evaluation

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

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

Directors' insurance

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

THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2015.

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

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

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

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

Annual report and financial statements

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

Accounting policies

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

Accounting records

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

Safeguarding assets

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

Going concern

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

AUDITOR'S REMUNERATION

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

For the year ended 31 December 2015, the remuneration paid or payable to the external auditor of the Company in respect of audit services and non-audit services amounted to approximately HK$4.9 million and HK$3.1 million respectively. The costs incurred for the non-audit services represented professional fees mainly in connection with the review of interim accounts and continuing connected transactions, acting as reporting accountant for a very substantial disposal and a major transaction of the Company, and tax advisory services.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has overall responsibility for the maintenance of sound risk management and internal control systems within the Group and reviewing their effectiveness. The Board has delegated to management the implementation and monitoring of such systems.

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

The Board has conducted a review of the Group's risk management and internal control systems for the year ended 31 December 2015, including financial, operational and compliance controls, and assessed the effectiveness of such systems by considering the work performed by the Audit Committee, executive management, external and internal auditors. The Board was satisfied that the systems are effective and adequate for their purposes.

Internal audit

The internal audit function, which is fully independent of the daily operations of the Group, is carried out by the Company's Corporate Evaluation Department, the senior executive in charge of which reports directly to the Audit Committee with unrestricted access to all the Group's assets, records and personnel in the course of audit, and at the Audit Committee's instruction, briefs the Managing Director on the results of all internal audit assignments. The Managing Director, with the approval of the Audit Committee, may instruct the senior executive in charge of the Corporate Evaluation Department to undertake internal audit activities of an urgent or sensitive nature. All other Directors are informed of the findings of these assignments. During the year, the Department carries out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group through, among others, observation in management's workshops and examination of risk-related documentation as well as internal control self-assessment questionnaires. When considered appropriate and with the approval of the Audit Committee, certain review work is outsourced because of the need for assistance of specialists or due to the high volume of work to be undertaken during a specific period of time.

The senior executive in charge of the Corporate Evaluation Department attends all Audit Committee meetings to explain the internal audit findings and respond to queries from members. Four meetings were held by the Audit Committee in 2015 and details of the major areas reviewed are set out in the Audit Committee Report contained in this Annual Report. The Audit Committee regularly reviews the key performance indicators relating to the work of the Corporate Evaluation Department and considers its view on the latest specific risk assessments of the Group.

Risk management and internal control

The Group has diverse business activities for which a high level of autonomy in operational matters has been vested in divisional managers who are also responsible for the development of their divisions. In the circumstance, well-designed systems of risk management and internal controls are necessary to help the Group achieve its long-term objectives. The systems and policies of the Group are designed to minimise internal control risks and manage business risks, protect the assets of the Group from loss or impairment, accurately report the performance of the Group and its financial position, and ensure compliance of relevant legislation, regulations and best practices. This includes taking into consideration social, environmental and ethical matters. The systems, which are annually reviewed by the Board to ensure its effectiveness, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A formal risk management policy has been put in place to ensure the regular identification, evaluation and management of the risks faced by the Group. The Managing Director, as Chief Risk Officer, takes the lead in the effective implementation of the risk management policy by all divisions and business units. Risk assessment and evaluation are an integral part of the annual planning process. Each division/business unit is to set its strategic objectives, identify specific risks and assess the effectiveness of its risk management actions and internal control measures to help ensure that the risks it faces are addressed by the controls that have been or will be implemented. Inherent risk level of each specific risk is ranked into five levels ranging from very-low to very-high based on the combined effect of its financial or other impact on the Group and the likelihood of occurrence. The most appropriate strategy is developed and implemented to tackle each of the identified specific risks, unless the desired residual risk level is attained.

Workshops are organised for management staff annually to ensure proper appreciation, implementation and evaluation of the systems and procedures. Risk registers are regularly updated and continuous follow-up actions are taken by management and reported to the Board at least annually.

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

SHAREHOLDER AND INVESTOR RELATIONS

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

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

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

The Company also maintains an ongoing active dialogue with institutional shareholders. The Chairman and the Managing Director are closely involved in promoting investor relations. Meetings and briefings with financial analysts and investors are conducted by the Managing Director.

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

SHAREHOLDERS' RIGHTS

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

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

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

CONSTITUTIONAL DOCUMENTS

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

CORPORATE GOVERNANCE ENHANCEMENT

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

On behalf of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 23 March 2016

AUDIT COMMITTEE
REPORT

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

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

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

MEETING ATTENDANCE

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

Name of Committee member	Number of meetings attended/ entitled to attend
Mr. Chan Kay Cheung	4/4
Mr. Gerrit Jan de Nys	3/4
Ms. Li Hoi Lun, Helen	4/4

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

ROLE AND DUTIES

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

SUMMARY OF WORK DONE

During the year, the Audit Committee:

- reviewed and discussed with management and external auditor the audited consolidated financial statements of the Group for the year ended 31 December 2014 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related final results announcement, with a recommendation to the Board for approval after due consideration given to the matters raised by staff responsible for the accounting and financial reporting, compliance and internal audit functions;
- reviewed the disclosures in the Corporate Governance Report and the Audit Committee Report included in the 2014 Annual Report of the Company, with a recommendation to the Board for approval;
- reviewed and discussed with management and external auditor the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2015 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related interim results announcement, with a recommendation to the Board for approval;
- reviewed and considered the reports and management letters submitted by the external auditor, which summarised matters arising from its audit of the Group's consolidated financial statements for the year ended 31 December 2014 and its review of the Group's condensed consolidated financial statements for the six months ended 30 June 2015;
- reviewed and considered the reports of the Corporate Evaluation Department on the business risks, tax planning and compliance risk and the operational and financial controls of selected property projects of the Group in the Chinese Mainland;

- reviewed and considered the reports of the Corporate Evaluation Department on the business risk of a selected construction project in the public sector and the operational and financial controls of the Group's construction and fitting-out businesses in Hong Kong;
- considered and endorsed the proposed amendments to the terms of reference of the Audit Committee in light of the changes of the Corporate Governance Code as set out in the Listing Rules, with a recommendation to the Board for approval;
- considered and endorsed the proposed amendments to the Company's risk management policy and policy on connected transactions, with a recommendation to the Board for approval;
- reviewed the quarterly reports of the Corporate Evaluation Department on connected transactions, including the compliance of the Company's policy on connected transactions;
- conducted an annual review of the Company's policy on engaging non-audit services from the external auditor and the whistle-blowing policy of the Company;
- reviewed and considered the adequacy of the Group's provisions for doubtful debts on a quarterly basis;
- reviewed and considered the scope of work and fee proposals of the external auditor for the review of the Group's condensed consolidated financial statements for the six months ended 30 June 2015 and for the audit of the Group's consolidated financial statements for the year ended 31 December 2015;
- reviewed the key performance indicators and annual work programme of the Corporate Evaluation Department as well as its work progress, staffing and resources planning; and
- conducted a review of the effectiveness of the risk management and internal control systems of the Group at the year-end, which covered all material controls in financial, operational and compliance areas and included a review of the adequacy of resources, staff qualifications and experience, and training programmes and budgets of the Company's accounting, financial reporting and internal audit functions.

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

The Committee reviews the Group's risk management and internal control systems annually based on the work of the Corporate Evaluation Department, the identification and assessment of risks by divisional and functional heads, and evaluation of the issues raised by the external auditor. As part of the Committee's review of these systems, the Committee examines the Group's framework and policies for identifying, assessing, and taking appropriate actions to contain the different types of risk in its various operations, and deal with the incidences of any significant control failings or weaknesses that have been identified and may give unforeseen outcomes about the Group's financial performance or condition.

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

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

Subsequent to the financial year end, the Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2015, including the accounting principles and practices adopted by the Group, in conjunction with the external auditor, with a recommendation to the Board for approval.

The Committee was satisfied with the external auditor's work, its independence and objectivity, and therefore recommended the re-appointment of Deloitte Touche Tohmatsu as the Company's external auditor for 2016 for shareholders' approval at the forthcoming annual general meeting of the Company.

Chan Kay Cheung

Chairman, Audit Committee

Hong Kong, 23 March 2016

REMUNERATION COMMITTEE REPORT

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

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

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

MEETING ATTENDANCE

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

Name of Committee member	Number of meetings attended/ entitled to attend
Ms. Li Hoi Lun, Helen	2/2
Mr. Lo Hong Sui, Vincent	2/2
Mr. Chan Kay Cheung	2/2

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

ROLE AND DUTIES

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

The Remuneration Committee is given the tasks to:

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

Code provision B.1.2 of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange provides that the terms of reference of the Remuneration Committee should include, as a minimum, the responsibilities to (i) determine or make recommendations to the Board on the remuneration packages of the individual Executive Director and senior management; (ii) review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment; and (iii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.
The Remuneration Committee has reviewed its functions and considered that these responsibilities in relation to the remuneration and compensation of management should be vested in the Executive Directors who have a better understanding of the level of expertise, experience and performance expected of the management in their daily business operations. The Remuneration Committee would continue to be primarily responsible for the review and determination of the remuneration package of the individual Executive Director. After due consideration, the Board adopted the revised terms of reference of the Remuneration Committee with the said responsibilities in relation to the remuneration and compensation of management excluded from its scope of duties, which deviates from code provision B.1.2. Notwithstanding such deviation,

the Remuneration Committee is still responsible for reviewing, approving and making recommendations to the Board on the guiding principles applicable to the determination of the remuneration packages of senior management.

Having reviewed the practices and procedures of remuneration committees in other jurisdictions, the Remuneration Committee decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration. Such recommendations were made to the Board by the Chairman of the Company, taking the advice of external professionals as appropriate. This practice was formally adopted, and the Board approved the amendment to the terms of reference of the Remuneration Committee in this respect, which deviates from the stipulation in code provision B.1.2 that the Remuneration Committee should make recommendations to the Board on the remuneration of Non-executive Directors. The Non-executive Directors abstain from voting in respect of the determination of their own remuneration at the relevant Board meetings.

REMUNERATION POLICY

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

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

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

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

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

REMUNERATION STRUCTURE

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

Upon the retirement of Mr. Choi Yuk Keung, Lawrence as Vice Chairman and Managing Director effective 31 December 2015, Mr. Wong Fook Lam, Raymond, Managing Director and Chief Financial Officer, has taken up the accountability for the overall management of the Company. As approved by the Remuneration Committee, the salary and bonus components of the remuneration of the Managing Director and Chief Financial Officer are set to be normally related to his aggregate total cash remuneration as follows:

Cash remuneration components	Proportion
Salary and other benefits	Half
Bonus for achievement of targets (100% based on corporate performance)	Half

Where appropriate, to recognise the contribution of the Managing Director and Chief Financial Officer, the bonus element could be increased, relative to performance delivered, to up to twice the amount that would be given normally and, subject to the corporate strategy adopted for the period, the Remuneration Committee could exercise its discretion to award a special bonus to the Managing Director and Chief Financial Officer if corporate performance and/or individual efforts are deemed exceptional.

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

SHARE OPTIONS

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

Annual grants

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

Long-term incentive ("LTI") grants

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

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

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

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

REMUNERATION OF DIRECTORS

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

	Director's fees (Note 1) HK$'000	Salary and other benefits HK$'000	Other service fees HK$'000	Retirement benefit scheme contributions HK$'000	Value of share options granted HK$'000	For the year ended 31 December 2015 Total HK$'000	For the year ended 31 December 2014 Total HK$'000
Executive Directors							
Mr. Lo Hong Sui, Vincent	10	–	–	–	–	**10**	10
Mr. Wong Fook Lam, Raymond	10	4,598 (Note 2)	–	119	26	**4,753**	3,853
Mr. Choi Yuk Keung, Lawrence (retired on 31 December 2015)	10	5,203	–	432	26	**5,671**	4,203
Non-executive Directors							
Mr. Tsang Kwok Tai, Moses	315	–	–	–	–	**315**	380
Mr. Gerrit Jan de Nys (re-designated from Independent Non-executive Director to Non-executive Director on 20 November 2015)	447	–	2,222 (Note 3)	–	–	**2,669**	430
Mr. Wong Kun To, Philip (retired on 29 May 2015)	103	–	–	–	41	**144**	(1,712) (Note 4)
Independent Non-executive Directors							
Ms. Li Hoi Lun, Helen	458	–	–	–	–	**458**	434
Mr. Chan Kay Cheung	595	–	–	–	–	**595**	571
TOTAL	1,948	9,801	2,222	551	93	**14,615**	8,169

Notes:

1. According to the fee schedule as approved by the Board for the year ended 31 December 2015, each Executive Director was entitled to an annual fee of HK$10,000 while a Non-executive Director or an Independent Non-executive Director was entitled to an annual fee of HK$250,000. In addition, a Non-executive Director or an Independent Non-executive Director also received an annual fee for his chairmanship or membership in each of the Board Committees, as set out below:

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

2. With effect from 1 January 2016, the annual salaries and allowances of Mr. Wong Fook Lam, Raymond, Managing Director and Chief Financial Officer, have been adjusted to HK$4,713,600 upon annual review by the Remuneration Committee.
3. Pursuant to the terms of a consultancy engagement agreement entered into between the Company and Mr. Gerrit Jan de Nys on 20 November 2015 as disclosed in an announcement of the Company dated 20 November 2015, a consultancy fee of HK$2,222,500 was paid to Mr. de Nys for his consultancy services provided up to 31 December 2015.
4. The amount included credit adjustments made in relation to the cancellation of the Corporate Grant Options of the 2011 LTI Grant during the previous year.

REMUNERATION OF SENIOR MANAGEMENT

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

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

SERVICE CONTRACTS

No service contract of any Director contains a notice period exceeding 12 months.

SUMMARY OF WORK DONE

During the year, the Remuneration Committee:

- considered and determined that no bonus be awarded to the Managing Directors in view of the financial loss of the Company for the year ended 31 December 2014;
- considered and endorsed that no annual grant of share options be made to management staff in view of the financial loss of the Company for the year ended 31 December 2014, with a recommendation to the Board for approval;
- considered and endorsed the vesting recommendations based on individual performance for the share options granted to selected key executives in 2011 pursuant to the terms of the 2011 LTI Grant, with a recommendation to the Board for approval;
- reviewed and endorsed the Remuneration Committee Report included in the 2014 Annual Report of the Company, with a recommendation to the Board for approval; and
- considered and approved the 2016 salary review recommendation for the Managing Director and Chief Financial Officer, taking into account the report of an external consultant on the analysis of executive remuneration in comparable Hong Kong listed companies, and reviewed the 2016 salary review guidelines for the Group as a whole.

Li Hoi Lun, Helen
Chairman, Remuneration Committee

Hong Kong, 23 March 2016

NOMINATION COMMITTEE REPORT

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

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

The composition of the Nomination Committee was changed during the year. Mr. Gerrit Jan de Nys stepped down as a member of the Committee with effect from 20 November 2015 following his re-designation from the role of Independent Non-executive Director to Non-executive Director of the Company. Ms. Li Hoi Lun, Helen, an Independent Non-executive Director of the Company, was appointed as a member of the Committee to succeed Mr. Gerrit Jan de Nys.

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

MEETING ATTENDANCE

The Nomination Committee held one meeting and passed two written resolutions during the year. The attendance of individual members at the meeting is set out as follows:

Name of Committee member	Number of meeting attended/ entitled to attend
Mr. Lo Hong Sui, Vincent	1/1
Ms. Li Hoi Lun, Helen (appointed on 20 November 2015)	N/A (Note)
Mr. Chan Kay Cheung	1/1
Mr. Gerrit Jan de Nys (stepped down on 20 November 2015)	0/1

Note: By invitation, Ms. Li Hoi Lun, Helen attended the Nomination Committee meeting which was held before her appointment.

The Company Secretary acts as the secretary to the Committee.

ROLE AND DUTIES

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

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

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

BOARD DIVERSITY POLICY

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

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

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

The Nomination Committee reviews the Board composition annually against the objective criteria as set out in the Board Diversity Policy. An analysis of the current Board composition based on these criteria is set out in the Corporate Governance Report contained in this Annual Report. The Committee considers that the existing members of the Board have a diverse range of business, financial and professional expertise in light of the current business needs of the Group.

As mentioned in the Corporate Governance Report, the number of Independent Non-executive Directors of the Company falls below the minimum number required under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). For identifying suitable candidates to fill the vacancy of Independent Non-executive Director, the Nomination Committee considers that professional experience, skills, knowledge and educational background, along with those criteria for independence as prescribed under the Listing Rules, are important elements that should be taken into account, while it is not appropriate to set specific requirements for such criteria as gender, ethnicity and age for the appointment. The Company will use its best endeavours to identify a suitable candidate to fill the vacancy as soon as practicable to meet the requirement of the Listing Rules.

SUMMARY OF MAJOR WORK DONE

During the year, the Nomination Committee:

- reviewed the structure, size and composition of the Board against the objective criteria as set out in the Board Diversity Policy;
- reviewed the independence of the Independent Non-executive Directors;
- considered the nomination of two retiring Directors for the Board's recommendation to stand for re-election by shareholders at the 2015 annual general meeting of the Company;
- reviewed the time commitment required of Directors to perform their responsibilities to the Company;
- reviewed and endorsed the Nomination Committee Report included in the 2014 Annual Report, with a recommendation to the Board for approval;
- considered the renewal of service contract with an Independent Non-executive Director, with a recommendation to the Board for approval;
- considered the re-designation of an Independent Non-executive Director to Non-executive Director and his new service contract, with a recommendation to the Board for approval; and
- considered the proposed changes to the composition of the Nomination Committee, the Investment Committee and the Executive Committee following the re-designation of an Independent Non-executive Director and the retirement of the Vice Chairman and Managing Director, with a recommendation to the Board for approval.

Lo Hong Sui, Vincent
Chairman, Nomination Committee

Hong Kong, 23 March 2016

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

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

aged 68, has been the Chairman of the Company since 1997. He is the Chairman of the Shui On Group, which he founded 45 years ago, and the Chairman of Shui On Land Limited ("SOL"), which he established in 2004 and became listed in Hong Kong in 2006. He is also the Chairman of China Central Properties Limited ("CCP"), a subsidiary of the Company which was privatised in 2009, and a Director of certain other subsidiaries of the Company. Mr. Lo is a member of the Twelfth National Committee of the Chinese People's Political Consultative Conference, the Chairman of the Hong Kong Trade Development Council, the President of the Council for the Promotion & Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, a Vice Chairman of the Chamber of International Commerce Shanghai, the Honorary Life President of the Business and Professionals Federation of Hong Kong and an Honorary Court Chairman of The Hong Kong University of Science and Technology. He is currently a Non-executive Director of Great Eagle Holdings Limited and Hang Seng Bank, Limited, both of which are listed in Hong Kong.

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

Mr. Wong Fook Lam, Raymond

aged 61, has been an Executive Director of the Company since July 2009 and assumed the role of Managing Director since July 2013. He is the Chief Financial Officer of the Company and also a Director of certain subsidiaries of the Company. He joined the Shui On Group in 1989 and was the Finance Director between 1992 and 1995. He was an Executive Director of the Company from 1997 to 2007. In March 2007, Mr. Wong was appointed as an Executive Director of CCP, which was listed on the Alternative Investment Market of the London Stock Exchange plc. Following the privatisation of CCP as a wholly-owned subsidiary of the Company in June 2009, he rejoined the Company to take up the position of Chief Financial Officer. He is one of the Trustees of the Shui On Provident and Retirement Scheme. Prior to joining the Shui On Group, Mr. Wong worked with a leading international accounting firm in their London, Melbourne and Hong Kong offices. He is currently an Independent Non-executive Director of Wenzhou Kangning Hospital Co., Ltd., which became listed in Hong Kong in November 2015. He is a Fellow of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and an Associate of The Institute of Chartered Accountants in Australia.

NON-EXECUTIVE DIRECTORS

Mr. Tsang Kwok Tai, Moses

aged 67, was appointed as an Independent Non-executive Director of the Company in January 2010 and has been re-designated as a Non-executive Director with effect from 8 September 2014. Mr. Tsang is the Chairman of AP Capital Holdings Inc. and the Chairman and Chief Executive Officer of EC Investment Services Limited. Prior to joining AP Capital Holdings Inc., he was a General Partner of Goldman Sachs Group where he led the establishment of the Fixed Income Group in Tokyo and headed the Debt Syndicate Group in London. He was the Chairman of Goldman Sachs (Asia) L.L.C. between 1989 and 1994, the Chairman and Managing Partner of Ajia Partners Inc. between 2003 and 2010 and a Non-executive Director of North Asia Strategic Holdings Limited between 2009 and 2010. Mr. Tsang is currently an Independent Non-executive Director of Fubon Bank (Hong Kong) Limited and a Non-executive Director of China Xintiandi Limited, a wholly-owned subsidiary of SOL. Mr. Tsang serves as Co-chair of the Asia Pacific Council and is a member of the Board of Directors of The Nature Conservancy. He is also a Trustee of The Hong Kong Centre for Economic Research of The University of Hong Kong and a member of the Brown University Advisory Council in Asia.

Mr. Gerrit Jan de Nys

aged 72, was appointed as an Independent Non-executive Director of the Company in August 2007 and has been re-designated as a Non-executive Director with effect from 20 November 2015. He joined the Shui On Group in 1978 as Managing Director of the Construction Materials Division and subsequently also assumed the position of Managing Director of the Construction and Contracting Division, and was appointed Deputy Chairman and Chief Executive of the then publicly listed Shui On (Contractors) Limited in 1988. He left the Shui On Group in 1991 and returned to Australia to set up his own businesses in home building and the leisure industry. In 1994, Mr. de Nys joined the IMC Pan Asia Alliance Group assuming chief executive roles in its subsidiaries and had worked in its Thailand and Singapore offices. He retired from executive responsibilities of the IMC Group in 2006. He is currently a Director of the IMC Resources Group in Australia and the Chairman of the Group Audit Committee of IMC Pan Asia Alliance Corporation. He is also a Non-executive Director of Horizon Oil Limited and, between October 2009 and May 2014, was the Non-executive Chairman of Red Sky Energy Limited, both being companies listed in Australia. Mr. de Nys has extensive experience in construction. He graduated with a Bachelor of Technology degree in Civil Engineering from The University of Adelaide and was a chartered professional engineer. He is a Fellow of the Institution of Engineers, Australia and The Australian Institute of Company Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li Hoi Lun, Helen

aged 60, has been an Independent Non-executive Director of the Company since August 2008. She is a qualified lawyer in the jurisdictions of Hong Kong, England and Wales and New South Wales, Australia. She studied law in England and commenced practising law in Hong Kong in 1982. Ms. Li worked in private practice, with emphasis on property, commercial and corporate work with a China focus. Prior to joining the Company, she was employed as an in-house legal counsel for the companies, and an Executive Director of the property arm, of the Shui On Group and took early retirement in 2005.

Mr. Chan Kay Cheung

aged 69, has been an Independent Non-executive Director of the Company since January 2010. Mr. Chan is a Senior Adviser of The Bank of East Asia, Limited ("BEA"), the Vice Chairman of The Bank of East Asia (China) Limited and the Chairman of Shaanxi Fuping BEA Rural Bank Corporation. He possesses extensive knowledge and experience in the banking industry. Mr. Chan joined BEA in 1965 and was appointed as an Executive Director and Deputy Chief Executive of BEA in 1996 and 1997 respectively. He retired from BEA in May 2007 after serving it for over 41 years. Mr. Chan is a Fellow of The Hong Kong Institute of Bankers, a member of the Process Review Committee for the oversight of Hong Kong Monetary Authority, a member of The Clearing and Settlement Systems Appeals Tribunal, a member of the Committee of Overseers of Lee Woo Sing College of The Chinese University of Hong Kong, a member of The China UnionPay International Advisory Group and an International Senior Economic Consultant of The People's Government of Shaanxi Province. He is also an Independent Non-executive Director of China Electronics Corporation Holdings Company Limited, Chu Kong Shipping Enterprises (Group) Company Limited, Dah Chong Hong Holdings Limited and Hong Kong Food Investment Holdings Limited, all of which are listed in Hong Kong.

SENIOR MANAGEMENT

Mr. Lee Wing Kee, Stephen

aged 63, is the Deputy Managing Director of SOCAM Asset Management (HK) Limited. He is also a Director of Shui On Building Contractors Limited, Shui On Construction Company Limited and certain other subsidiaries of the Company. He has been working in the Shui On Group since 1985 and has over 35 years of experience in construction. Mr. Lee is currently a Council member of The Hong Kong Construction Association, Limited. He holds a Bachelor of Science degree in Civil Engineering and is a chartered civil engineer.

Mr. Li Chi Keung, Evans

aged 54, is the Director – Corporate Finance and also a Director of certain subsidiaries of the Company. He joined the Shui On Group in 1991 and has over 30 years of accounting, finance and company secretarial experience. He holds a Master's degree in Business Administration from the University of Leicester. He is a Fellow of The Association of Chartered Certified Accountants and an Associate of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Mr. Wong Shing Chuen, Leonard

aged 55, is an Executive Director of SOCAM Asset Management (HK) Limited and a Director of certain other subsidiaries of the Company. He joined the Company in 2007 and has over 30 years of experience in the property development and construction industry. He is on the panel of arbitrators of the China International Economic and Trade Arbitration Commission. He is also an accredited mediator of the Hong Kong International Arbitration Centre. He holds a Master's degree in Arbitration and Dispute Resolution from the City University of Hong Kong and an Associateship in Building Technology and Management from The Hong Kong Polytechnic University. He is a Fellow of both The Chartered Institute of Building and the Chartered Institute of Arbitrators. He is also a member of The Hong Kong Institution of Engineers.

Mr. Ng Yat Hon, Gilbert

aged 55, is an Executive Director of Pat Davie Limited, specialising in interior fitting out and renovation in Hong Kong and Macau. He also holds directorships in certain other subsidiaries of the Company. Mr. Ng joined the Shui On Group in 1996 and has over 30 years of experience in construction. He holds a Bachelor's degree in Civil Engineering from The University of Manchester and a Master's degree in Project Management from The University of New South Wales. He is a chartered civil engineer.

Mr. Chan Ngai Shing, David

aged 61, is an Executive Director of Shui On Building Contractors Limited and Shui On Construction Company Limited. He also holds directorships in certain other subsidiaries of the Company. Mr. Chan joined the Shui On Group in 1989 and has over 30 years of experience in construction. He is currently a Council member of The Hong Kong Construction Association, Limited and a Vice Chairman of its Building Committee. He holds a Master's degree in Civil Engineering from the McMaster University and is a chartered civil engineer. He is a Fellow of The Hong Kong Institution of Engineers and a member of the Hong Kong Institute of Real Estate Administrators.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries, joint ventures and associates are set out in notes 42, 43 and 44 to the consolidated financial statements respectively.

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and a description of the principal risks and uncertainties facing the Group are provided in the Chairman's Statement and the Management Discussion and Analysis sections of this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in note 6 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2015 are provided in the abovementioned sections and note 41 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights and Financial Review sections of this Annual Report. In addition, discussions on the Group's environmental policies, including compliance with the relevant laws and regulations that have a significant impact on the Group, and relationships with its key stakeholders are contained in the Corporate Social Responsibility Report section of this Annual Report. All the above sections form part of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the Consolidated Statement of Profit or Loss.

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

RESERVES

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

At 31 December 2015, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK$573 million.

INVESTMENT PROPERTIES

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

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

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

Executive Directors:

Mr. Lo Hong Sui, Vincent
Mr. Wong Fook Lam, Raymond
Mr. Choi Yuk Keung, Lawrence (retired from the employment and accordingly from the Board with effect from 31 December 2015)

Non-executive Directors:

Mr. Tsang Kwok Tai, Moses
Mr. Gerrit Jan de Nys (re-designated from Independent Non-executive Director to Non-executive Director with effect from 20 November 2015)
Mr. Wong Kun To, Philip (retired at the annual general meeting of the Company held on 29 May 2015)

Independent Non-executive Directors:

Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung

In accordance with Bye-law 87(1) of the Bye-laws of the Company, Mr. Tsang Kwok Tai, Moses and Mr. Chan Kay Cheung shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "2016 AGM") of the Company to be held on 23 May 2016.

No Director proposed for re-election at the 2016 AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INDEMNITIES

Pursuant to the Bye-laws of the Company and subject to the relevant provision therein, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur in or sustain by the execution of his/her duty or otherwise in relation thereto. The Company has arranged appropriate insurance cover for the Directors in connection with the discharge of their responsibilities.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At 31 December 2015, the interests of the Directors and chief executive of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(1) Long positions in the shares of the Company

	Number of shares				Approximate percentage of issued shares
Name of Director	Personal interests	Family interests	Other interests	Total	(Note 1)
Mr. Lo Hong Sui, Vincent	–	312,000 (Note 2)	234,381,000 (Note 3)	234,693,000	48.44%
Mr. Wong Fook Lam, Raymond	32,000	–	–	32,000	0.00%

Notes:

1. Based on 484,410,164 shares of the Company in issue at 31 December 2015.
2. These shares were beneficially owned by Ms. Loletta Chu ("Mrs. Lo"), the spouse of Mr. Lo Hong Sui, Vincent ("Mr. Lo"). Under the SFO, Mr. Lo was deemed to be interested in such shares and both Mr. Lo and Mrs. Lo were also deemed to be interested in 234,381,000 shares mentioned in Note 3 below.
3. These shares were beneficially owned by Shui On Company Limited ("SOCL"). Of these 234,381,000 shares beneficially owned by SOCL, 232,148,000 shares were held by SOCL itself and 2,233,000 shares were held by Shui On Finance Company Limited, an indirect wholly-owned subsidiary of SOCL. SOCL was owned by the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was one of the discretionary beneficiaries and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.

(2) Long positions in the underlying shares of the Company

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

Save as disclosed above, at 31 December 2015, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company adopted a share option scheme on 22 August 2012 (the "Existing Scheme"), which has a life of 10 years until 21 August 2022, to replace the share option scheme adopted on 27 August 2002 (the "Old Scheme") that had expired on 30 August 2012. Since then, no further option can be granted under the Old Scheme, but all options granted previously remain exercisable in accordance with the terms of the Old Scheme and the relevant letters of offers to the respective grantees. Particulars of the Old Scheme and the Existing Scheme are set out in note 36 to the consolidated financial statements.

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

Name or category of eligible participant(s)	Date of grant	Subscription price per share HK$	Number of shares subject to options At 1.1.2015	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31.12.2015	Period during which options outstanding are exercisable
Director									
Mr. Wong Fook Lam, Raymond (Note 1)	12.4.2010	12.22	200,000	–	–	(200,000)	–	–	12.10.2010 to 11.4.2015
	12.4.2010	12.22	700,000	–	–	–	–	700,000	12.4.2013 to 11.4.2020
	23.6.2011	10.90	250,000	–	–	–	–	250,000	23.12.2011 to 22.6.2016
Sub-total			1,150,000	–	–	(200,000)	–	950,000	
Former Directors									
Mr. Choi Yuk Keung, Lawrence (Notes 1 and 2)	9.4.2009	7.63	380,000	–	–	–	–	380,000	9.4.2012 to 8.4.2019
	12.4.2010	12.22	250,000	–	–	(250,000)	–	–	12.10.2010 to 11.4.2015
	12.4.2010	12.22	700,000	–	–	–	–	700,000	12.4.2013 to 11.4.2020
	23.6.2011	10.90	250,000	–	–	–	–	250,000	23.12.2011 to 22.6.2016
Mr. Wong Kun To, Philip (Notes 1 and 3)	12.4.2010	12.22	350,000	–	–	(350,000)	–	–	12.10.2010 to 11.4.2015
	12.4.2010	12.22	1,050,000	–	–	(1,050,000)	–	–	12.4.2013 to 11.4.2020
	23.6.2011	10.90	400,000	–	–	(400,000)	–	–	23.12.2011 to 22.6.2016
Sub-total			3,380,000	–	–	(2,050,000)	–	1,330,000	
Employees (in aggregate)	12.4.2010	12.22	3,730,000	–	–	(3,730,000)	–	–	12.10.2010 to 11.4.2015
	13.5.2011	10.66	3,540,000	–	–	(330,000)	–	3,210,000	13.11.2011 to 12.5.2016
	23.6.2011	10.90	780,000	–	–	(50,000)	–	730,000	23.12.2011 to 22.6.2016
	28.7.2011	10.00	8,000,000	–	–	(5,114,000)	–	2,886,000	1.5.2015 to 27.7.2021
	26.11.2012	8.18	3,614,000	–	–	(218,000)	–	3,396,000	26.5.2013 to 25.11.2017
	14.6.2013	9.93	4,420,000	–	–	(380,000)	–	4,040,000	14.12.2013 to 13.6.2018
Sub-total			24,084,000	–	–	(9,822,000)	–	14,262,000	
Total			28,614,000	–	–	(12,072,000)	–	16,542,000	

Notes:

1. Mr. Wong Fook Lam, Raymond, Mr. Choi Yuk Keung, Lawrence and Mr. Wong Kun To, Philip were previously granted share options in excess of their respective maximum individual entitlement of 1%.
2. Mr. Choi Yuk Keung, Lawrence retired from employment of the Company on 31 December 2015. In accordance with the terms of the Old Scheme and subject to the terms of the relevant offer letters, the outstanding share options held by Mr. Choi remain exercisable within a period of 12 months from the date of his retirement.
3. Pursuant to the terms of the Old Scheme, all the outstanding share options held by Mr. Wong Kun To, Philip, who retired as a Director of the Company at its annual general meeting held on 29 May 2015, were exercisable until his cessation as an employee of an invested entity of the Group on 1 October 2015.
4. The vesting of all share options granted to the eligible participants is subject to the vesting schedules as set out in the respective offer letters. Details about the vesting schedules for the share options granted are set out in note 36 to the consolidated financial statements.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS OF SUBSTANTIAL SHAREHOLDER AND OTHER PERSON

At 31 December 2015, the shareholders (other than a Director or chief executive of the Company or his/her respective associate(s)) who had interests or short positions in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 336 of the SFO were as follows:

(1) Substantial shareholder (as defined under the Listing Rules)

Name of shareholder	Capacity	Number of shares/ underlying shares	Approximate percentage of issued shares (Note 1)
Penta Investment Advisers Limited ("Penta")	Investment manager	101,694,374 (L) (Note 2)	20.99%

(2) Other person

Name of shareholder	Capacity	Number of shares/ underlying shares	Approximate percentage of issued shares (Note 1)
Credit Suisse Group AG ("Credit Suisse")	Interests of controlled corporations (Note 3)	63,199,484 (L) (Note 4)	13.04%
		63,093,255 (S) (Note 5)	13.02%

Notes:

1. Based on 484,410,164 shares of the Company in issue at 31 December 2015.
2. It included Penta's interests in 18,701,249 underlying shares of the Company, representing approximately 3.86% of the issued shares of the Company, pursuant to certain unlisted cash settled derivatives.
3. All interests of Credit Suisse were held through its indirect wholly-owned subsidiaries.
4. It included Credit Suisse's interests in (i) 52,000 underlying shares of the Company, representing approximately 0.01% of the issued shares of the Company, pursuant to certain unlisted cash settled derivatives; and (ii) 53,364,105 shares of the Company, representing approximately 11.02% of the issued shares of the Company, borrowed by an indirect wholly-owned subsidiary of Credit Suisse (the "Credit Suisse's Subsidiary") pursuant to a rehypothecation arrangement with certain clients (the "Clients").
5. It included Credit Suisse's interests in (i) 9,729,150 underlying shares of the Company, representing approximately 2.00% of the issued shares of the Company, pursuant to certain unlisted cash settled derivatives; and (ii) 53,364,105 shares of the Company, representing approximately 11.02% of the issued shares of the Company, subject to the rehypothecation arrangement as mentioned in Note 4 above pursuant to which the Credit Suisse's Subsidiary was under an obligation to return these shares to the Clients.
6. The letter "L" denotes a long position and the letter "S" denotes a short position.

Save as disclosed above and under the foregoing section headed "Interests of Directors and Chief Executive", at 31 December 2015, no other parties 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.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

CONNECTED TRANSACTIONS

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

(1) Engagement of consultancy services for disposal of share interest in Lafarge Shui On Cement Limited ("LSOC")

On 3 March 2015, the Company entered into a consultancy engagement letter (the "Consultancy Agreement") with V I Capital Management Limited ("ViCap") to formalise the appointment of ViCap as its consultant to provide consultancy services with respect to the divestment of the Group's interest in LSOC. Pursuant to the Consultancy Agreement, a consultancy fee equal to 1% of the consideration for the disposal of the Group's interest in LSOC was payable by the Company to ViCap on success basis.

As ViCap is a company wholly owned by Mr. Wong Yuet Leung, Frankie, being a former Director of the Company in the previous 12 months, it was then a connected person of the Company under the Listing Rules. As such, the entering into of the Consultancy Agreement constituted a connected transaction of the Company, details of which have been set out in the announcement dated 3 March 2015 issued by the Company.

As disclosed by the Company in the same announcement dated 3 March 2015, the Company and Glorycrest Holdings Limited ("Glorycrest", an indirect wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with Financiere Lafarge ("Lafarge", which then owned 55% share interest in LSOC) and LSOC on 3 March 2015, pursuant to the terms and conditions of which Glorycrest agreed to sell its entire 45% share interest in LSOC to Lafarge (the "Disposal") for a total consideration of approximately HK$2,553 million.

The Disposal was completed on 11 August 2015, and the Company paid a consultancy fee of approximately HK$25.5 million to ViCap in accordance with the terms of the Consultancy Agreement.

(2) Engagement of sub-contractor for a fit-out project in Hong Kong

On 5 March 2015, Pat Davie Limited ("PDL", an indirect non-wholly owned subsidiary of the Company) confirmed, by way of a letter of acceptance (the "Letter of Acceptance"), the engagement of Toptech Co. Limited ("Toptech", an indirect non-wholly owned subsidiary of Great Eagle Holdings Limited ("Great Eagle")) as a sub-contractor for the design, supply and installation of raised floor system and ancillary services (the "Sub-contract Works") for an IT and broadcasting office fit-out project for the Sha Tin Communications and Technology Centre of The Hong Kong Jockey Club for a sub-contract sum of approximately HK$3.52 million, subject to adjustment due to any variation of the Sub-contract Works and provisional item in accordance with the terms of the formal sub-contract entered into between PDL and Toptech.

Great Eagle is an associate of Mr. Lo, the Chairman and the controlling shareholder of the Company. Therefore, Toptech, being a subsidiary of Great Eagle, is a connected person of the Company under the Listing Rules. As such, the engagement of Toptech by PDL to carry out the Sub-contract Works under the Letter of Acceptance constituted a connected transaction of the Company, details of which have been set out in the announcement dated 5 March 2015 issued by the Company.

(3) Extension of maturity date of loan facility and term of related security

A term loan facility in a principal amount of HK$550 million (the "Loan Facility") was granted by Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)") to Prime Asset Investment Limited ("Prime Asset", then being a joint venture company indirectly owned as to 65% by the Company, and a subsidiary of the Company under the Listing Rules) at an interest rate of 2.4% per annum above the one-month, two-month or up to three-month Hong Kong Interbank Offered Rate pursuant to a facility letter dated 12 July 2013 (as amended and supplemented by a supplemental facility letter dated 21 March 2014) (the "Facility Letter") issued by ICBC (Asia). As security for the Loan Facility, a standby letter of credit ("SBLC") was issued by Chinese Mercantile Bank, Guangzhou Branch ("CMB", a wholly-owned subsidiary of ICBC (Asia)) in favour of ICBC (Asia) pursuant to a standby letter of credit agreement dated 27 September 2013 (as amended and supplemented by a supplemental standby letter of credit agreement dated 21 March 2014) (the "SBLC Agreement") entered into between 北京啓夏房地產開發有限公司 (Beijing Qi Xia Real Estate Development Co., Ltd.) ("Beijing Qi Xia", a wholly-owned subsidiary of Prime Asset and a then subsidiary of the Company under the Listing Rules) and CMB. The Loan Facility matured on 28 February 2015 pursuant to the Facility Letter, and the term of the SBLC also expired on 20 March 2015 pursuant to the SBLC Agreement.

On 18 March 2015, Prime Asset and ICBC (Asia) entered into a supplemental facility letter (the "Supplemental Facility Letter"), pursuant to which ICBC (Asia) agreed to extend the maturity date of the Loan Facility to 29 February 2016 or seven days before the expiry date of the SBLC, whichever was earlier, for an extension fee of 0.1% flat on the principal amount of the Loan Facility. At the same date, Beijing Qi Xia and CMB also entered into a supplemental standby letter of credit agreement (the "Supplemental SBLC Agreement"), pursuant to which CMB agreed to extend the term of the SBLC to 18 March 2016.

An associate of ICBC (Asia) and CMB became a substantial shareholder of a subsidiary of the Company in June 2014. Therefore, since then, both ICBC (Asia) and CMB are connected persons of the Company under the Listing Rules. As such, the entering into of the Supplemental Facility Letter and the Supplemental SBLC Agreement constituted connected transactions of the Company, details of which have been set out in the announcement dated 18 March 2015 issued by the Company.

(4) Engagement of contractor for a fit-out project in Nanjing

On 27 March 2015, 江蘇九西建設發展有限公司 (Jiangsu Jiu Xi Development Co., Ltd.) ("Jiangsu Jiu Xi", a joint venture company indirectly owned as to approximately 50% by the Company, and a subsidiary of the Company under the Listing Rules) confirmed, by way of a letter of acceptance (the "Letter of Acceptance"), the engagement of 上海德建裝飾工程有限公司 (Shanghai Pat Davie Limited) ("Shanghai Pat Davie", an indirect wholly-owned subsidiary of Shui On Land Limited ("SOL")) as a contractor to carry out interior decoration and electrical works (the "Contract Works") on the sales centre of the Nanjing Scenic Villa Project (the "Nanjing Project") for a total contract sum of approximately RMB4.38 million, including a contingency provision of RMB500,000 for any variation of the Contract Works as approved by Jiangsu Jiu Xi.

SOL is an associate of Mr. Lo, the Chairman and the controlling shareholder of the Company. Therefore, Shanghai Pat Davie, being a subsidiary of SOL, is a connected person of the Company under the Listing Rules. As such, the engagement of Shanghai Pat Davie by Jiangsu Jiu Xi to carry out the Contract Works under the Letter of Acceptance constituted a connected transaction of the Company, details of which have been set out in the announcement dated 27 March 2015 issued by the Company.

(5) Engagement of advisory services for disposal of share interests in Lead Wealthy Investments (Singapore) Pte. Ltd. ("Lead Wealthy Singapore") and Jolly Success Holdings Limited ("Jolly Success")

On 24 April 2015, Lead Wealthy Investments Limited ("Lead Wealthy", then being a joint venture company indirectly owned as to 70% by the Company, and a subsidiary of the Company under the Listing Rules) entered into (i) an advisory engagement letter (the "Lake Summit Advisory Agreement") with Lake Summit Limited ("Lake Summit"); and (ii) an advisory engagement letter (the "ViCap Advisory Agreement") with ViCap to formalise the appointment of Lake Summit and ViCap as financial advisors with respect to the disposal of its entire share interests in (a) Lead Wealthy Singapore (which holds the Four Seasons Hotel Pudong and the unsold branded residence units plus car parking spaces in Shanghai Four Seasons Place); and (b) Jolly Success (which holds all the necessary licences for the operation of the Four Seasons Hotel Pudong). Pursuant to the Lake Summit Advisory Agreement and the ViCap Advisory Agreement, service fees equal to 2% and 1% of the total transaction amount of the disposal were payable by Lead Wealthy to Lake Summit and ViCap respectively on success basis.

As Lake Summit is a company wholly owned by Mr. Chan Kin Ho ("Mr. K.H. Chan"), who is a nephew of Mr. Lo, the Chairman and the controlling shareholder of the Company, it is a deemed connected person of the Company under the Listing Rules. Also, as mentioned in paragraph (1) of this section, ViCap was then a connected person of the Company under the Listing Rules. As such, the entering into of the Lake Summit Advisory Agreement and the ViCap Advisory Agreement constituted connected transactions of the Company, details of which have been set out in the announcement dated 24 April 2015 issued by the Company.

As disclosed by the Company in the same announcement dated 24 April 2015, Lead Wealthy entered into a sale and purchase agreement with Wing Tat Development Limited ("Wing Tat") on 24 April 2015 for the disposal of Lead Wealthy Singapore and Jolly Success to Wing Tat for a total transaction amount of approximately RMB2,367 million, subject to adjustment. The disposal was completed on 24 July 2015, and service fees of approximately RMB43.1 million and RMB21.6 million were paid to Lake Summit and ViCap respectively based on the final transaction amount of the disposal, in accordance with the terms of the Lake Summit Advisory Agreement and the ViCap Advisory Agreement.

(6) Granting of loan facility by Industrial and Commercial Bank of China Limited, Nanjing Yuhua Sub-branch ("ICBC")

On 12 October 2015, Jiangsu Jiu Xi entered into a loan agreement (the "Loan Agreement") with ICBC, pursuant to the terms and conditions of which ICBC agreed to grant a loan facility in a principal amount of RMB330 million to Jiangsu Jiu Xi for a term of three years at an interest rate of 5% per annum (subject to yearly adjustment as per the prevailing loan prime rate as promulgated by the People's Bank of China) for financing the development of the Nanjing Project. The loan facility is secured by (i) a pledge of Jiangsu Jiu Xi's land use rights to three land parcels of the Nanjing Project and the construction works thereon; and (ii) a guarantee of the Company with respect to the payment obligations of Jiangsu Jiu Xi under the Loan Agreement.

As an associate of ICBC is a substantial shareholder of a subsidiary of the Company, ICBC is a connected person of the Company under the Listing Rules. As such, the entering into of the Loan Agreement and the related security arrangements constituted connected transactions of the Company, details of which have been set out in the announcement dated 16 October 2015 issued by the Company.

(7) Engagement of consultancy services from a Director of the Company

On 20 November 2015, the Company entered into a consultancy engagement letter (the "Consultancy Agreement") with Mr. Gerrit Jan de Nys, a Director of the Company, to formalise his engagement as the Company's consultant, for an initial term of one year, to provide consultancy services in respect of the Company's business, operating and financial conditions and future direction. Pursuant to the terms of the Consultancy Agreement, the Company shall pay a consultancy fee to Mr. de Nys based on an hourly rate of HK$7,500, subject to a cap of HK$50,000 per day and an overall cap of HK$4.5 million.

As Mr. de Nys is a Director of the Company, he is a connected person of the Company under the Listing Rules. As such, the entering into of the Consultancy Agreement constituted a connected transaction of the Company, details of which have been set out in the announcement dated 20 November 2015 issued by the Company.

(8) Payment to Innovate Zone Group Limited ("Innovate Zone") for funding to Dalian Tiandi

On 31 December 2015, Main Zone Group Limited ("Main Zone", a wholly-owned subsidiary of the Company) entered into a contribution agreement (the "Contribution Agreement") with Innovate Zone (a wholly-owned subsidiary of SOL), Many Gain International Limited ("Many Gain", a wholly-owned subsidiary of Yida China Holdings Limited) and Richcoast Group Limited ("Richcoast") whereby Main Zone, Innovate Zone and Many Gain (collectively, the "JV Shareholders") agreed, among other things, to provide additional funding to Richcoast and its subsidiaries (collectively, the "Dalian Group", which holds the Dalian Tiandi project (the "Dalian Project")) by way of shareholders' loans in an aggregate amount of not exceeding RMB781 million in proportion to their respective effective shareholding interests of 22%, 48% and 30% in the Dalian Group for financing the Dalian Project. In accordance with the Contribution Agreement, each of the JV Shareholders may from time to time extend additional loan(s) to Richcoast under the terms and conditions as set out in separate agreement(s) with Richcoast, and any JV Shareholder which does not make any matching loan(s) to Richcoast in proportion to its effective shareholding interest in the Dalian Group shall pay to the JV Shareholder which has extended the additional loan(s) to Richcoast a sum equal to 12% per annum of the amount of the additional loan(s) provided by such JV Shareholder multiplied by the effective shareholding interest in the Dalian Group of that JV Shareholder which does not make any matching loan(s).

At the same date, Innovate Zone entered into a financial support agreement with Richcoast, pursuant to which Innovate Zone agreed to provide to Richcoast an unilateral loan in an amount up to RMB240 million, repayable on 4 December 2016. As Main Zone does not intend to make any matching loan to Richcoast in proportion to its 22% effective shareholding interest in the Dalian Group, a maximum amount of approximately RMB5.9 million (the "Relevant Payment") is payable by Main Zone to Innovate Zone with respect to the unilateral loan provided by it, in accordance with the terms of the Contribution Agreement.

SOL is an associate of Mr. Lo, the Chairman and the controlling shareholder of the Company. Therefore, Innovate Zone, being a subsidiary of SOL, is a connected person of the Company under the Listing Rules. As such, the Relevant Payment to be made by Main Zone to Innovate Zone pursuant to the Contribution Agreement will constitute a connected transaction of the Company, details of which have been set out in the announcement dated 31 December 2015 issued by the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

(1) Mr. Lo is a director and the controlling shareholder of SOCL which, through its subsidiaries, including (among others) SOL, principally engages in property development and investment projects in Hong Kong and the People's Republic of China (the "PRC").

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

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Connected Transactions" above, no transactions, arrangements or contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, and in which a Director of the Company (or an entity connected with him/her) had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

Save for service contracts, no contract by which a person undertakes the management and administration of the whole or any substantial part of the Company's business was entered into or subsisted during the year.

EQUITY-LINKED AGREEMENTS

Other than the share option schemes adopted by the Company as mentioned under the section headed "Share Options" above, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

RETIREMENT BENEFIT PLANS

Details of the Group's retirement benefit plans are shown in note 32 to the consolidated financial statements.

MAJOR SUPPLIERS AND MAJOR CUSTOMERS

The five largest suppliers of the Group accounted for less than 16% of the total purchases of the Group for the year.

The five largest customers of the Group accounted for approximately 80% of the total turnover of the Group for the year with the largest customer, the Government of the Hong Kong Special Administrative Region – Architectural Services Department, accounting for approximately 41% of the turnover of the Group.

None of the Directors, their close associates or any shareholder (which, to the knowledge of the Directors, owns more than 5% of the number of issued shares of the Company) has a beneficial interest in the five largest suppliers or customers of the Group.

DONATIONS

During the year, the Group made donations of approximately HK$1.9 million to business associations and institutions, and charity communities.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

DISCLOSURE UNDER RULES 13.20 AND 13.22 OF THE LISTING RULES

Financial assistance and guarantees provided by the Group to its affiliated companies amounted to HK$4,720 million at 31 December 2015, details of which are as follows:

	Balance at 31 December 2015				
		Unsecured loans			
Affiliated companies	Approximate effective percentage of interest	Interest free with no fixed repayment terms HK$ million	Interest bearing with no fixed repayment terms HK$ million (Note 1)	Guarantee HK$ million	Total HK$ million
Cosy Rich Limited	50%	371	–	188	559
Gracious Spring Limited	81%	–	1,484	315	1,799
Lamma Yue Jie Company Limited	60%	17	–	–	17
Nanjing Jiangnan Cement Co., Ltd.	60%	164	–	–	164
Richcoast Group Limited	28%	462	833	507	1,802
Win Lead Holdings Limited	50%	313	–	66	379
		1,327	2,317	1,076	4,720

The proforma combined statement of financial position of the above affiliated companies at 31 December 2015 is as follows:

	HK$ million
Non-current assets	10,683
Current assets	11,639
Current liabilities	(11,953)
Net current liabilities	(314)
Non-current liabilities	(9,510)
Non-controlling interests	(696)
Shareholders' funds	163

Details of the above affiliated companies are set out in notes 43 and 44 to the consolidated financial statements.

Notes:

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

Affiliated companies	Interest rate per annum
Gracious Spring Limited	Fixed at 13%
Richcoast Group Limited	5% on a total amount of HK$242 million, and 110% of the prevailing 1-year base lending rate published by the People's Bank of China on the remaining balance

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

AUDITOR

Deloitte Touche Tohmatsu will retire and, being eligible, offer itself for re-appointment at the 2016 AGM. A resolution will be proposed at the 2016 AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Lo Hong Sui, Vincent
Chairman

Hong Kong, 23 March 2016

FINANCIAL
SECTION

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of SOCAM Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 86 to 175, 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 applicable disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the 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 prepared in compliance with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015 HK$ million	2014 HK$ million (Re-presented)
Continuing operations			
Turnover			
The Company and its subsidiaries		**5,916**	6,102
Share of joint ventures/associates		**363**	640
		6,279	6,742
Group turnover	7	**5,916**	6,102
Other income and gains	8	**116**	138
Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold		**(141)**	(484)
Raw materials and consumables used		**(472)**	(847)
Staff costs		**(697)**	(641)
Depreciation and amortisation expenses		**(14)**	(15)
Subcontracting, external labour costs and other expenses		**(4,819)**	(4,341)
Fair value changes on investment properties	16 & 28(b)	**(45)**	(63)
Dividend income from available-for-sale investments		**2**	2
Finance costs	9	**(286)**	(372)
Loss on disposal of interests in joint ventures	18	**–**	(7)
Loss on disposal of subsidiaries	37	**–**	(11)
Impairment loss recognised on properties under development for sale	24(b)	**(238)**	–
Share of results of joint ventures	7	**(345)**	(382)
Share of results of associates	7	**(162)**	(113)
Loss before taxation		**(1,185)**	(1,034)
Taxation	10	**(68)**	(14)
Loss for the year from continuing operations		**(1,253)**	(1,048)
Discontinued operations			
Profit (loss) for the year from discontinued operations	11	**144**	(311)
Loss for the year		**(1,109)**	(1,359)

	Notes	2015 HK$ million	2014 HK$ million (Re-presented)
Attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(1,270)**	(1,063)
Profit (loss) for the year from discontinued operations		**144**	(311)
Loss for the year attributable to owners of the Company		**(1,126)**	(1,374)
Non-controlling interests			
Profit for the year from continuing operations		**17**	15
		(1,109)	(1,359)
Loss per share	15		
From continuing and discontinued operations			
Basic		**HK$(2.33)**	HK$(2.84)
Diluted		**HK$(2.33)**	HK$(2.84)
From continuing operations			
Basic		**HK$(2.63)**	HK$(2.20)
Diluted		**HK$(2.63)**	HK$(2.20)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK$ million	2014 HK$ million
Loss for the year	**(1,109)**	(1,359)
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
Fair value changes of available-for-sale investments	**9**	(3)
Exchange differences arising on translation of financial statements of foreign operations	**(398)**	(28)
Share of exchange differences of joint ventures	**37**	(33)
Share of exchange differences of associates	**(13)**	(2)
Share of other comprehensive income of a joint venture	**–**	13
Reclassification adjustments for amounts transferred to profit or loss:		
– upon disposal of subsidiaries	**–**	(32)
– upon disposal of interest in a joint venture	**(767)**	–
– upon deregistration of a joint venture	**(13)**	–
– upon disposal of property inventories, net of deferred tax of nil (2014: HK$2 million)	**(1)**	(5)
Item that will not be reclassified to profit or loss:		
Recognition of actuarial loss	**(19)**	(38)
Other comprehensive expense for the year	**(1,165)**	(128)
Total comprehensive expenses for the year	**(2,274)**	(1,487)
Total comprehensive (expenses) income attributable to:		
Owners of the Company	**(2,291)**	(1,502)
Non-controlling interests	**17**	15
	(2,274)	(1,487)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$ million	2014 HK$ million
Non-current Assets			
Investment properties	16	**1,909**	2,087
Property, plant and equipment	17	**29**	40
Interests in joint ventures	18	**122**	3,217
Available-for-sale investments	19	**64**	55
Interests in associates	20	**146**	311
Club memberships		**1**	1
Trade debtors	25	**12**	25
Amounts due from joint ventures	21	**1,986**	2,725
Amounts due from associates	22	**1,296**	854
		5,565	9,315
Current Assets			
Inventories	23	**–**	1
Properties held for sale	24	**354**	554
Properties under development for sale	24	**554**	820
Debtors, deposits and prepayments	25	**1,658**	1,632
Amounts due from customers for contract work	23	**342**	295
Amounts due from joint ventures	21	**617**	1,122
Amounts due from associates	22	**292**	555
Amounts due from related companies	26	**2**	15
Taxation recoverable		**27**	92
Restricted bank deposits	27	**732**	516
Bank balances, deposits and cash	25	**1,440**	1,919
		6,018	7,521
Assets classified as held for disposal	28	**756**	1,684
		6,774	9,205

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015 HK$ million**	2014 HK$ million
Current Liabilities			
Creditors and accrued charges	29	**1,772**	1,830
Sales deposits received		**255**	466
Amounts due to customers for contract work	23	**350**	294
Amounts due to joint ventures	21	**108**	376
Amounts due to associates	22	**2**	2
Amounts due to related companies	26	**337**	287
Amounts due to non-controlling shareholders of subsidiaries	26	**6**	3
Taxation payable		**217**	192
Bank and other borrowings due within one year	30	**2,914**	6,268
		5,961	9,718
Net Current Assets (Liabilities)		**813**	(513)
Total Assets Less Current Liabilities		**6,378**	8,802
Capital and Reserves			
Share capital	31	**484**	484
Reserves		**5,058**	7,349
Equity attributable to owners of the Company		**5,542**	7,833
Non-controlling interests		**38**	37
		5,580	7,870
Non-current Liabilities			
Bank and other borrowings	30	**421**	372
Defined benefit liabilities	32	**152**	140
Deferred tax liabilities	33	**225**	420
		798	932
		6,378	8,802

The consolidated financial statements on pages 86 to 175 were approved and authorised for issue by the Board of Directors on 23 March 2016 and are signed on its behalf by:

Lo Hong Sui, Vincent
Chairman

Wong Fook Lam, Raymond
Managing Director and Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company													
	Share capital	Share premium account	Translation reserve	Contributed surplus (Note a)	Goodwill	Retained profits	Reserve funds	Share option reserve	Actuarial gain and loss	Investment revaluation reserve	Other reserve (Note b)	Total	Non-controlling interests	Total Equity
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 1 January 2015	484	3,172	1,497	197	(3)	2,063	–	74	(65)	–	414	7,833	37	7,870
Fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	–	9	–	9	–	9
Exchange differences arising on translation of financial statements of foreign operations	–	–	(398)	–	–	–	–	–	–	–	–	(398)	–	(398)
Share of exchange differences of joint ventures	–	–	37	–	–	–	–	–	–	–	–	37	–	37
Share of exchange differences of associates	–	–	(13)	–	–	–	–	–	–	–	–	(13)	–	(13)
Recognition of actuarial loss	–	–	–	–	–	–	–	–	(19)	–	–	(19)	–	(19)
Disposal of interest in a joint venture	–	–	(660)	–	–	–	–	–	–	–	(107)	(767)	–	(767)
Deregistration of a joint venture	–	–	(13)	–	–	–	–	–	–	–	–	(13)	–	(13)
Disposal of property inventories	–	–	–	–	–	–	–	–	–	–	(1)	(1)	–	(1)
Loss for the year	–	–	–	–	–	(1,126)	–	–	–	–	–	(1,126)	17	(1,109)
Total comprehensive (expense) income for the year	–	–	(1,047)	–	–	(1,126)	–	–	(19)	9	(108)	(2,291)	17	(2,274)
Disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(3)	(3)	8	5
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	1	1
Recognition of share-based payments	–	–	–	–	–	–	–	3	–	–	–	3	–	3
Transfer upon lapse of share options	–	–	–	–	–	30	–	(30)	–	–	–	–	–	–
Dividends payable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(25)	(25)
At 31 December 2015	484	3,172	450	197	(3)	967	–	47	(84)	9	303	5,542	38	5,580

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

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

Notes:

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

(b) Other reserve of the Group mainly include (i) an amount of HK$231 million (2014: HK$231 million) recognised in prior years, which arose when the Group entered into agreements with Shui On Company Limited ("SOCL"), the Company's substantial shareholder, to co-invest in Shui On Land Limited during the year ended 31 March 2005; (ii) other comprehensive item of nil (2014: HK$102 million, which represented the Group's share of compensation recognised by Lafarge Shui On Cement Limited in the form of donation in respect of losses in the earthquake in Sichuan during the year ended 31 December 2008); (iii) an amount of HK$19 million (2014: HK$20 million), which represents the Group's share of revaluation reserve of a then associate, China Central Properties Limited ("CCP"), arising from an acquisition achieved in stages by CCP during the year ended 31 December 2009, net of the amount released as a result of subsequent disposal of property inventories; and (iv) an amount of HK$22 million (2014: HK$22 million), which represents the revaluation surplus of the Group's 42.88% previously held interest in CCP, recognised upon the acquisition of the remaining 57.12% interest in CCP during the year ended 31 December 2009, net of the amount released as a result of subsequent disposal of property inventories.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$ million	2014 HK$ million
OPERATING ACTIVITIES		
Loss for the year	**(1,109)**	(1,359)
Adjustments for:		
Taxation	**68**	14
Impairment loss on available-for-sale investments	**–**	13
Loss on disposal of subsidiaries	**–**	11
(Gain) loss on disposal of interests in joint ventures	**(416)**	7
Gain on disposal of property, plant and equipment	**–**	(9)
Gain on deregistration of a joint venture	**(11)**	–
Impairment loss recognised on properties under development for sale	**238**	–
Share of results of joint ventures	**621**	707
Share of results of associates	**162**	113
Interest income	**(80)**	(114)
Finance costs	**286**	372
Dividend income from available-for-sale investments	**(2)**	(2)
Fair value changes on investment properties	**45**	63
Depreciation of property, plant and equipment	**14**	15
Unrealised effect on income from associates/joint ventures	**(2)**	(1)
Share-based payment expense	**3**	8
Expense recognised in respect to defined benefit scheme	**20**	19
Operating cash flows before movements in working capital	**(163)**	(143)
Decrease in properties held for sale	**127**	285
(Increase) decrease in properties under development for sale	**(4)**	38
Increase in debtors, deposits and prepayments	**(18)**	(299)
(Increase) decrease in amounts due from customers for contract work	**(46)**	69
Increase in amounts due from related companies	**(3)**	(42)
Increase in amounts due from associates	**(27)**	(98)
Decrease (increase) in amounts due from joint ventures	**19**	(137)
Decrease in creditors and accrued charges	**(77)**	(110)
Decrease in sales deposits received in respect of properties for sale	**(55)**	(49)
Decrease in other bank balances	**–**	150
Increase in amounts due to customers for contract work	**56**	95
Decrease in amounts due to joint ventures	**(20)**	(101)
Increase (decrease) in amounts due to related companies	**55**	(15)
Contribution to defined benefit scheme	**(27)**	(21)
Cash used in operations	**(183)**	(378)
Hong Kong Profits Tax paid	**(18)**	(15)
Hong Kong Profits Tax refunded	**2**	1
Income tax of other regions in the People's Republic of China ("PRC") paid	**(127)**	(332)
NET CASH USED IN OPERATING ACTIVITIES	**(326)**	(724)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$ million	2014 HK$ million
INVESTING ACTIVITIES		
Investment in a joint venture (note 18(i)(a))	**(13)**	–
Advance to joint ventures	**(108)**	(976)
Advance to associates	**(195)**	–
Repayment from joint ventures	**746**	84
Return of investment from a joint venture	**56**	–
Additions in property, plant and equipment	**(7)**	(18)
Payment for construction of investment properties	**(5)**	(38)
Interest received	**24**	48
Proceeds from sales of property, plant and equipment and leasehold land	**3**	25
Dividends received from available-for-sale investments	**2**	2
Net proceeds from disposal of a subsidiary classified as held for disposal (note)	**–**	1,344
Net proceeds from disposal of subsidiaries (note 37(b))	**15**	173
Net proceeds from disposal of joint ventures	**2,499**	216
Acquisition of property inventories and other assets and liabilities through acquisition of subsidiaries	**–**	(117)
Sales deposits received in respect of disposal of investment properties classified as held for disposal	**710**	1,008
Proceeds from sale of other financial asset	**–**	127
Restricted bank deposits placed	**(239)**	(621)
Restricted bank deposits refunded	**1**	1,051
NET CASH FROM INVESTING ACTIVITIES	**3,489**	2,308

	2015 HK$ million	2014 HK$ million
FINANCING ACTIVITIES		
New bank and other loans raised	**1,570**	3,148
Loan from related companies	**400**	60
Repayment to related companies	**(400)**	(60)
Net proceeds received on issue of shares	**–**	3
Repayment of bank and other loans	**(4,858)**	(5,028)
Interest paid	**(240)**	(305)
Other borrowing costs paid	**(46)**	(67)
Proceeds from partial disposal of interest in a subsidiary	**5**	–
Dividends paid to non-controlling shareholders of subsidiaries	**(21)**	(13)
NET CASH USED IN FINANCING ACTIVITIES	**(3,590)**	(2,262)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(427)**	(678)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,919**	2,607
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(52)**	(10)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1,440**	1,919
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances, deposits and cash	**1,440**	1,919

Note:

During the year ended 31 December 2014, the Group disposed of 80% interest in a property project through disposal of 80% interest in a subsidiary, which assets and liabilities were respectively accounted for as "assets classified as held for disposal" and "liabilities associated with assets classified as held for disposal". Accordingly, the net cash inflow of approximately HK$1,344 million arising therefrom was included in cash flows from investing activities as such disposal was effected through disposal of a subsidiary, rather than operating activities.

1. GENERAL

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

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

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

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

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are mandatorily effective for the Group's financial period beginning on 1 January 2015.

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after a date to be determined

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

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

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

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to change in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance ("CO") (Cap 622).

The provisions of the new CO regarding preparation of accounts, directors' reports and audits and the disclosure requirements set out in the Listing Rules regarding annual accounts and directors' reports have been amended with reference to certain provisions of the new CO and to streamline with HKFRSs and became effective for the Group for the financial year ended 31 December 2015. 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.

Basis of preparation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

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

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

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

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

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.

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

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

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

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

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

Investments in associates and joint ventures

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

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

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

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

Investments in joint operations

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in joint operations (continued)

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

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

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

Non-current assets held for disposal

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

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

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

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

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

Revenue recognition

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Sales of properties

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

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

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

Others

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

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

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

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

Service income is recognised when services are provided.

Construction and building maintenance contracts

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

Property, plant and equipment

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

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

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

Club memberships

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

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

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

Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Properties held for sale

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

Properties under development for sale

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

Borrowing costs

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

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

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

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

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

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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

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

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

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

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

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

Retirement benefits costs

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including debtors, amounts due from joint ventures, associates and related companies, restricted bank deposits and bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see the accounting policy on impairment loss on financial assets below).

Available-for-sale investments

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Borrowings

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

Other financial liabilities

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

Financial guarantee contracts

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

Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment transactions

Share options granted to employees

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Construction contracts

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

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

Investment properties

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

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

Properties under development for sale and properties held for sale are stated at lower of the cost and net realisable value. The net realisable value is the estimated selling price (based on the direct comparison method) less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information and valuation performed by independent professional valuers. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, the loss will be recognised on the properties under development for sale and properties held for sale in the consolidated statement of profit or loss. As disclosed in note 24(b), impairment loss of HK$238 million (2014: nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

Impairment of other assets

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

As disclosed in note 25(b), at 31 December 2015, receivables of HK$417 million (2014: HK$411 million) are expected to be settled either through public auction of the property interest or the sale of the equity interest of the entity holding the property interest. With some positive events as mentioned in note 25(b) and the fact that the Company has put in place a dedicated team in the PRC, with focused efforts and through various commercial and judicial channels, to resolve the issue, management expects that the public auction will be materialised, and that the receivables will be recovered and the guarantee as mentioned in note 38(d) will be released soon after the public auction.

In determining the recoverable amount of such a receivable, management has exercised judgement in estimating the timing and future cash flows to be recovered and determined that no impairment was necessary at the end of the reporting period. Management has closely monitored the progress. If the actual outcome and timing regarding the abovementioned public auction and hence the recoverability are different from expectation, an impairment loss may arise.

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the Directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties of HK$1,909 million (2014: HK$2,087 million) are held to earn rental income and they are considered to be held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on these investment properties at fair value is measured based on the tax consequences of recovering the carrying amounts of the investment properties through use.

The remaining investment properties of the Group with fair value of HK$392 million (2014: HK$1,297 million), in the opinion of the Directors of the Company, are held under a business model whose objective is to recover through sale. These investment properties are classified as assets classified as held for disposal (note 28) and the deferred tax in relation to these investment properties is measured based on the tax consequences of recovering the carrying amounts entirely through sale.

Financial guarantee contracts

As disclosed in note 38, at 31 December 2015, the Group has provided guarantees under financial guarantee contracts for an aggregate amount of HK$2,057 million (2014: HK$1,926 million). In determining whether provision should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgement in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation. The Directors of the Company are of the opinion that it is not probable that outflow of resources will result from the financial guarantee contracts. Accordingly, no provision has been recognised in the consolidated statement of financial position. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

6. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

Categories of financial instruments

	2015 **HK$ million**	2014 HK$ million
Financial assets		
Available-for-sale investments	**64**	55
Loans and receivables (including cash and cash equivalents)	**8,001**	9,336
Financial liabilities		
Amortised cost	**4,740**	8,261

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

(a) Market risk

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

(i) Interest rate risk

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

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. An increase or decrease of 100 basis points (2014: 100 basis points) is used when reporting the interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been increased/decreased by 100 basis points (2014: 100 basis points) and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately HK$29 million for the year ended 31 December 2015 (2014: HK$63 million).

(ii) Foreign currency risk

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

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

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

	2015 HK$ million	2014 HK$ million
Assets		
United States dollars	**94**	135
Hong Kong dollars	**2**	22
Liabilities		
Renminbi	**239**	190
United States dollars	**233**	427
Hong Kong dollars	**561**	992

Foreign currency sensitivity

The Group's foreign currency risk is mainly concentrated on the fluctuation among Renminbi, the United States dollars and Hong Kong dollars. The sensitivity analysis does not include those United States dollars denominated assets and liabilities when they are held by group entities having Hong Kong dollars as their functional currency since the exchange rates between United States dollars and Hong Kong dollars are pegged. The following table details the Group's sensitivity to a 7% (2014: 7%) change in the functional currencies of the relevant group entities against foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 7% (2014: 7%) change in foreign currency rates. The following table indicates the impact to the loss before tax where the foreign currencies strengthen against the functional currencies of the relevant group entities. For a 7% (2014: 7%) weakening of the foreign currencies against the functional currencies of the relevant group entities, there would be an equal and opposite impact on the loss. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Decrease (increase) in loss	2015 HK$ million	2014 HK$ million
Renminbi	**(17)**	(13)
United States dollars	**7**	9
Hong Kong dollars	**(39)**	(68)

(iii) Other price risk

The Group is exposed to equity price risk through its available-for-sale investments. If the market price of the investments had been increased/decreased by 20% (2014: 20%), the Group's reserve at 31 December 2015 would increase/decrease by approximately HK$13 million (2014: HK$11 million), which will be recognised in profit or loss if the drop is considered as an impairment loss.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 38. In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the credit risk is significantly reduced.

The Group has certain concentration of credit risk in respect of amounts due from joint ventures, associates and trade debtors and other receivables. At 31 December 2015, 59% (2014: 48%) of total amounts due from joint ventures and 25% (2014: 26%) of total trade debtors and other receivables was due from one single joint venture and a counterparty respectively. The amounts due from associates represented the receivables solely due from an associate. At 31 December 2015, other receivables of HK$417 million (2014: HK$411 million) were due from a counterparty and a guarantee on outstanding loan principal amounting to RMB542 million (HK$647 million) (2014: RMB542 million (HK$687 million)) and related interest amounting to RMB280 million (HK$334 million) was issued by the Company in respect of a loan advanced to this counterparty. In order to reduce credit risk, the Group has procedures in place to monitor the credit standing of this counterparty and to ensure that follow-up action is taken to recover these debts. The Group also reviews the recoverable amounts of the relevant debts and the probability of default by the counterparty at the end of each reporting period. The Directors of the Company considered that no provision for impairment loss is necessary at the end of the reporting period. Except for the above, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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

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

(c) Capital risk

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

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

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

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

(d) Liquidity risk

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

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

	Weighted average effective interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-3 years	Total undiscounted cash flow	Carrying amount
	% p.a.	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 31 December 2015							
Bank deposits	**1.17%**	**314**	**–**	**–**	**–**	**314**	**314**
Trade and other payables	**–**	**(966)**	**(380)**	**(59)**	**–**	**(1,405)**	**(1,405)**
Bank and other borrowings							
– variable rate	**4.26%**	**(1,547)**	**(1,188)**	**(78)**	**(200)**	**(3,013)**	**(2,943)**
– fixed rate	**13.44%**	**–**	**(270)**	**(164)**	**–**	**(434)**	**(392)**
		(2,199)	**(1,838)**	**(301)**	**(200)**	**(4,538)**	**(4,426)**
Financial guarantee contracts (note)	**–**	**(118)**	**(1,193)**	**(138)**	**(608)**	**(2,057)**	**–**
At 31 December 2014							
Bank deposits	0.29%	225	–	–	–	225	225
Trade and other payables	–	(1,200)	(373)	(48)	–	(1,621)	(1,621)
Bank and other borrowings							
– variable rate	3.84%	(2,706)	(3,467)	(142)	(72)	(6,387)	(6,288)
– fixed rate	13.16%	–	(222)	(18)	(175)	(415)	(352)
		(3,681)	(4,062)	(208)	(247)	(8,198)	(8,036)
Financial guarantee contracts (note)	–	(125)	(1,071)	(141)	(589)	(1,926)	–

Note:

At the end of the reporting period, the Group has provided financial guarantees to certain parties (note 38). In the event of the failure of those parties to meet their obligations under these facilities, the Group may be required to pay up to the guaranteed amounts upon demand. Management does not consider that it is probable for these parties to claim the Group under these guarantees.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

(e) Fair value of financial instruments

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

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

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

Fair value measurements recognised in the consolidated statement of financial position

At 31 December 2015 and 31 December 2014, the only financial instrument of the Group that was measured subsequent to initial recognition at fair value is available-for-sale investments, of which the fair value was classified as level 1 fair value measurement and was derived from unadjusted quoted prices available on the Hong Kong Stock Exchange (active market).

7. TURNOVER AND SEGMENT INFORMATION

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

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

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

1. Property – property development for sale and investment and provision of property asset management services
2. Construction and building maintenance – construction, interior fit-out, renovation and maintenance of building premises
3. Other businesses – venture capital investment and others

The cement operations through Lafarge Shui On Cement Limited ("LSOC") were classified as discontinued operations as the equity interest in LSOC was disposed of in the current year, and the Group after the disposal, does not have material investments that engaged in cement operations. Accordingly, the segment information reported in this note 7 does not include any amounts for the discontinued operations in the current and prior years. Details of discontinued operations are described in note 11 and segment information for prior year has been re-presented.

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(a) Reportable segment revenue and profit or loss

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

For the year ended 31 December 2015

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Sales of goods	244	–	4	248
Rental income	29	–	–	29
Revenue from rendering of services	33	2	–	35
Construction contract revenue	–	5,604	–	5,604
Group's revenue from external customers	306	5,606	4	5,916
Share of joint ventures/associates' revenue	308	4	51	363
Total segment revenue	614	5,610	55	6,279
Reportable segment results	(901)	112	(46)	(835)
Segment results have been arrived at after crediting (charging):				
Depreciation	(7)	(5)	(1)	(13)
Interest income	72	4	1	77
Fair value changes on investment properties	(45)	–	–	(45)
Dividend income from available-for-sale investments	2	–	–	2
Impairment loss recognised on properties under development for sale	(238)	–	–	(238)
Loss on disposal of investment properties classified as held for disposal	(66)	–	–	(66)
Share of results of joint ventures				
Property development	(332)	–	–	(332)
Other operations in Guizhou	–	–	7	7
Venture capital investments	–	–	(20)	(20)
				(345)
Share of results of associates				
Property development	(162)	–	–	(162)

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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

For the year ended 31 December 2014 (re-presented)

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Sales of goods	400	2	18	420
Rental income	40	–	–	40
Revenue from rendering services	43	11	2	56
Construction contract revenue	–	5,586	–	5,586
Group's revenue from external customers	483	5,599	20	6,102
Inter-segment revenue	–	21	–	21
	483	5,620	20	6,123
Share of joint ventures/associates' revenue	571	1	68	640
Total segment revenue	1,054	5,621	88	6,763
Inter-segment revenue is charged at mutually agreed prices				
Reportable segment results	(710)	125	(32)	(617)
Segment results have been arrived at after crediting (charging):				
Depreciation	(7)	(5)	(1)	(13)
Interest income	97	4	1	102
Fair value changes on investment properties	(63)	–	–	(63)
Dividend income from available-for-sale investments	2	–	–	2
Loss on disposal of interests in joint ventures	(7)	–	–	(7)
(Loss) gain on disposal of subsidiaries	(20)	9	–	(11)
Loss on disposal of investment properties classified as held for disposal	(67)	–	–	(67)
Share of results of joint ventures				
Property development	(358)	–	–	(358)
Other operations in Guizhou	–	–	4	4
Venture capital investments	–	–	(28)	(28)
				(382)
Share of results of associates				
Property development	(113)	–	–	(113)

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Reportable segment assets and liabilities

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

At 31 December 2015

	Property HK$ million	**Construction and building maintenance HK$ million**	**Other businesses HK$ million**	**Total HK$ million**
Reportable segment assets	**9,711**	**2,159**	**1,404**	**13,274**
Reportable segment liabilities	**1,268**	**1,849**	**929**	**4,046**

At 31 December 2014 (re-presented)

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
Reportable segment assets	12,806	2,028	1,675	16,509
Reportable segment liabilities	2,562	1,686	974	5,222

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

	Year ended 31 December	
	2015 HK$ million	2014 HK$ million (re-presented)
Revenue		
Reportable segment revenue	**6,279**	6,763
Elimination of inter-segment revenue	**–**	(21)
Elimination of share of revenue of joint ventures/associates	**(363)**	(640)
Consolidated turnover	**5,916**	6,102

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December	
	2015	2014
	HK$ million	HK$ million
		(re-presented)
Loss before taxation		
Reportable segment results	**(835)**	(617)
Unallocated other income	**3**	6
Finance costs	**(286)**	(372)
Other unallocated corporate expenses	**(67)**	(51)
Consolidated loss before taxation	**(1,185)**	(1,034)

	At 31 December	
	2015	2014
	HK$ million	HK$ million
		(re-presented)
Assets		
Reportable segment assets	**13,274**	16,509
Elimination of inter-segment receivables	**(962)**	(1,258)
Assets relating to discontinued operations	**–**	3,177
Other unallocated assets	**27**	92
Consolidated total assets	**12,339**	18,520

	At 31 December	
	2015	2014
	HK$ million	HK$ million
Liabilities		
Reportable segment liabilities	**4,046**	5,222
Elimination of inter-segment payables	**(962)**	(1,258)
Unallocated liabilities		
– Bank and other borrowings	**3,081**	5,934
– Taxation and others	**594**	752
Consolidated total liabilities	**6,759**	10,650

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(d) Other segment information

At 31 December 2015

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
Interests in joint ventures and associates	**216**	**3**	**49**	**268**
Capital expenditure	**7**	**2**	**–**	**9**
Tax charges	**44**	**23**	**1**	**68**

At 31 December 2014 (re-presented)

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
Interests in joint ventures and associates	263	2	116	381
Capital expenditure	40	7	–	47
Tax charges	(17)	29	2	14

(e) Geographical information

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

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

	Revenue from external customers*		Non-current assets**	
	2015	2014	**2015**	2014
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**5,096**	3,715	**16**	18
PRC (excluding Hong Kong)	**820**	2,387	**1,923**	2,110
	5,916	6,102	**1,939**	2,128

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

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

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(f) Information about major customers

Included in external revenue arising from construction and building maintenance of HK$5,606 million (2014: HK$5,599 million) is revenue of HK$2,429 million and HK$1,753 million, which arose from services provided to the Group's largest and second largest customers respectively (2014: HK$1,332 million and HK$981 million from the Group's largest and second largest customers respectively) contributing over 10% of the total turnover of the Group.

8. OTHER INCOME AND GAINS

	2015 HK$ million	2014 HK$ million
Continuing operations		
Included in other income are:		
Interest income	**80**	114
Gain on deregistration of a joint venture	**11**	–

9. FINANCE COSTS

	2015 HK$ million	2014 HK$ million
Continuing operations		
Interest on bank loans and overdrafts and other loans	**240**	305
Other borrowing costs	**46**	67
	286	372

10. TAXATION

	2015 HK$ million	2014 HK$ million
Continuing operations		
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**25**	16
PRC Enterprise Income Tax	**76**	133
PRC Land Appreciation Tax	**147**	131
	248	280
Deferred taxation (note 33)	**(180)**	(266)
	68	14

10. TAXATION (CONTINUED)

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

PRC Enterprise Income Tax is calculated at 25% (2014: 25%) on the estimated assessable profits for the year.

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

Details of the deferred taxation are set out in note 33.

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

	2015 **HK$ million**	2014 HK$ million (re-presented)
Loss before taxation from continuing operations	**(1,185)**	(1,034)
Tax at Hong Kong Profits Tax rate of 16.5% (2014: 16.5%)	**(195)**	(171)
Effect of share of results of joint ventures	**57**	63
Effect of share of results of associates	**27**	19
Effect of different tax rates on operations in other jurisdictions	**8**	(30)
PRC Land Appreciation Tax	**48**	17
Tax effect of PRC Land Appreciation Tax	**(8)**	(3)
Tax effect of expenses not deductible for tax purposes	**162**	140
Tax effect of income not taxable for tax purposes	**(55)**	(60)
Tax effect of tax losses not recognised	**33**	39
Tax effect of utilisation of tax losses previously not recognised	**(5)**	(6)
(Overprovision) underprovision of current taxation in prior year	**(4)**	1
Others	**–**	5
Tax charge for the year	**68**	14

11. DISCONTINUED OPERATIONS

In August 2015, the Group completed the disposal of its 45% interest in LSOC for a consideration of approximately HK$2.55 billion. The Group's cement operations through LSOC have been classified as discontinued operations for the year ended 31 December 2015. The prior year figures have been re-presented for conformity with the current year presentation. Details of the transaction are set out in an announcement and a circular of the Company dated 3 March 2015 and 26 May 2015 respectively.

Profit for the year from discontinued operations attributable to owners of the Company is HK$144 million (2014: loss of HK$311 million), which include other income of HK$4 million (2014: HK$14 million), share of loss of joint ventures of HK$276 million (2014: HK$325 million) and gain on disposal of LSOC of HK$416 million.

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

Directors and Chief Executives

The emoluments paid or payable to each of the eight (2014: nine) Directors were as follows:

Name of Director	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Other service fees HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	2015 Total HK$'000	2014 Total HK$'000
Mr. Lo Hong Sui, Vincent		**10**	**–**	**–**	**–**	**–**	**10**	10
Mr. Choi Yuk Keung, Lawrence	(a) & (d)	**10**	**5,203**	**–**	**432**	**26**	**5,671**	4,203
Mr. Wong Fook Lam, Raymond	(a)	**10**	**4,598**	**–**	**119**	**26**	**4,753**	3,853
Mr. Tsang Kwok Tai, Moses	(b)	**315**	**–**	**–**	**–**	**–**	**315**	380
Mr. Gerrit Jan de Nys	(b) & (e)	**447**	**–**	**2,222**	**–**	**–**	**2,669**	430
Ms. Li Hoi Lun, Helen	(c)	**458**	**–**	**–**	**–**	**–**	**458**	434
Mr. Chan Kay Cheung	(c)	**595**	**–**	**–**	**–**	**–**	**595**	571
Mr. Wong Kun To, Philip	(a) & (f)	**103**	**–**	**–**	**–**	**41**	**144**	(1,712)
Mr. Wong Yuet Leung, Frankie	(g)	**–**	**–**	**–**	**–**	**–**	**–**	280
Total		**1,948**	**9,801**	**2,222**	**551**	**93**	**14,615**	8,449
2014		2,375	9,182	–	1,207	(4,315)	8,449	

Notes:

(a) The amount for the year ended 31 December 2014 included credit adjustments made in relation to the cancellation of certain share options during that year.

(b) Non-executive Director.

(c) Independent Non-executive Directors.

(d) Mr. Choi Yuk Keung, Lawrence retired as the Vice Chairman and Managing Director with effect from 31 December 2015.

(e) Mr. Gerrit Jan de Nys has been re-designated from the role of Independent Non-executive Director to Non-executive Director with effect from 20 November 2015. He provided certain consultancy services to the Company during the year ended 31 December 2015, in return for a fee.

(f) Mr. Wong Kun To, Philip retired as a Non-executive Director at the annual general meeting of the Company held on 29 May 2015.

(g) Mr. Wong Yuet Leung, Frankie did not stand for re-appointment as a Non-executive Director upon expiration of the term of his service contract on 31 August 2014, and stepped down from the Board with effect from 1 September 2014.

(h) Neither the chief executives nor any of the directors waived any emolument in the year ended 31 December 2015 and 2014.

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

Directors and Chief Executives (continued)

Of the five highest paid individuals in the Group, two (2014: two) are Directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2014: three) highest paid employees were as follows:

	2015 **HK$ million**	2014 HK$ million
Salaries, bonuses and allowances	**13**	12
Retirement benefits scheme contributions	**1**	1
Share-based payments	**1**	1
	15	14

The emoluments were within the following band:

	2015 **No. of employees**	2014 No. of employees
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**1**	–
HK$5,500,001 to HK$6,000,000	**1**	1

13. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2015 HK$ million	2014 HK$ million
Loss for the year has been arrived at after charging (crediting):		
Cost of sales (note):		
Cost of construction	**5,389**	5,334
Cost of properties sold	**134**	341
Cost of goods sold	**3**	15
Cost of rendering services	**50**	60
Direct rental outgoings arising from investment properties	**46**	51
	5,622	5,801
Depreciation		
Property, plant and equipment	**14**	15
Staff costs (including directors' emoluments) (note):		
Salaries, bonuses and allowances	**656**	596
Retirement benefits cost	**38**	37
Share-based payment expense	**3**	8
	697	641
Gross rental revenue from investment properties	**(29)**	(40)
Less: direct rental outgoings (note)	**46**	51
Net rental expenses	**17**	11
Auditors' remuneration	**5**	5
Operating lease payments in respect of rented premises	**20**	20
Impairment loss on trade receivables	**4**	–
Gain on disposal of property, plant and equipment	**–**	(9)

Note:

Cost of sales includes HK$589 million (2014: HK$516 million) relating to staff costs and direct rental outgoings, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

14. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

15. LOSS PER SHARE

From continuing and discontinued operations

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

	2015 HK$ million	2014 HK$ million
Loss for the year attributable to owners of the Company:		
Loss for the purpose of basic and diluted loss per share	**(1,126)**	(1,374)
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purpose of basic loss per share	**484**	484
Effect of dilutive potential ordinary shares:		
Share options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**484**	484

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

From continuing operations

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

	2015 HK$ million	2014 HK$ million
Loss for the year attributable to owners of the Company:		
Loss for the purpose of basic and diluted loss per share	**(1,126)**	(1,374)
Adjust: (Profit) loss for the year from discontinued operations	**(144)**	311
Loss for the purpose of basic and diluted loss per share from continuing operations	**(1,270)**	(1,063)

From discontinued operations

Basic and diluted earnings per share from discontinued operations is HK$0.30 per share (2014: loss of HK$0.64 per share), based on the profit for the year from discontinued operations of HK$144 million (2014: loss of HK$311 million) and the denominators detailed above for both basic and diluted loss per share.

16. INVESTMENT PROPERTIES

	Completed investment properties HK$ million
FAIR VALUE	
At 1 January 2014	2,096
Exchange adjustments	(7)
Additions	31
Decrease in fair value recognised	(33)
At 31 December 2014	2,087
Exchange adjustments	**(119)**
Additions	**5**
Decrease in fair value recognised	**(64)**
At 31 December 2015	**1,909**

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

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

The fair value of the Group's investment properties at 31 December 2015 and 31 December 2014 has been arrived at on the basis of valuations carried out on that date by Savills Valuation and Professional Services Limited, an independent qualified professional valuer not connected to the Group, which has appropriate qualifications and recent experience in the valuation of similar properties in relevant locations.

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

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

16. INVESTMENT PROPERTIES (CONTINUED)

The major inputs used in the fair value measurement of investment properties and information about the fair value hierarchy at 31 December 2015 and 31 December 2014 are as follows:

Investment properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 1 – Shenyang Project Phase I retail portion	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.5% (2014: 6.5%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant increase in fair value of property 1, and vice versa
		(2) Monthly market rent	Monthly market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB80-178 (2014: RMB80-179) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A slight increase in the monthly market rent used would result in a significant increase in fair value of property 1, and vice versa
Property 2 – Chongqing Creative Concepts Center retail portion	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 5.5% (2014: 5.5%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant increase in fair value of property 2, and vice versa
		(2) Monthly market rent	Monthly market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB127-254 (2014: RMB132-264) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A slight increase in the monthly market rent used would result in a significant increase in fair value of property 2, and vice versa

Investment properties classified as assets held for disposal	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 3 – Shanghai Lakeville Regency Tower 18	Level 3	Comparison Approach The key input is: Market unit rate	Market unit rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB108,000 (2014: RMB103,000) per sqm on gross floor area basis	The higher the market unit rate, the higher the fair value	A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa

17. PROPERTY, PLANT AND EQUIPMENT

	Properties in other regions of the PRC HK$ million	Plant and machinery HK$ million	Motor vehicles HK$ million	Equipment, furniture and other assets HK$ million	Total HK$ million
AT COST					
At 1 January 2014	17	12	37	104	170
Additions	–	–	7	11	18
Disposals	(16)	–	(5)	(15)	(36)
Disposal of subsidiaries	–	(4)	(2)	(4)	(10)
At 31 December 2014	1	8	37	96	142
Additions	**–**	**–**	**2**	**5**	**7**
Disposals	**–**	**–**	**(3)**	**(4)**	**(7)**
Exchange adjustments	**–**	**(1)**	**(1)**	**(1)**	**(3)**
At 31 December 2015	**1**	**7**	**35**	**96**	**139**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2014	2	6	22	83	113
Charge for the year	–	1	5	9	15
Eliminated on disposals	(2)	–	(3)	(15)	(20)
Eliminated on disposal of subsidiaries	–	(2)	(2)	(2)	(6)
At 31 December 2014	–	5	22	75	102
Charge for the year	**–**	**1**	**4**	**9**	**14**
Eliminated on disposals	**–**	**–**	**(2)**	**(1)**	**(3)**
Exchange adjustments	**–**	**(1)**	**(1)**	**(1)**	**(3)**
At 31 December 2015	**–**	**5**	**23**	**82**	**110**
CARRYING VALUES					
At 31 December 2015	**1**	**2**	**12**	**14**	**29**
At 31 December 2014	1	3	15	21	40

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

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

18. INTERESTS IN JOINT VENTURES

(i) Joint ventures

	2015 HK$ million	2014 HK$ million
Cost of unlisted investments in joint ventures, net of impairment	**788**	3,815
Share of post-acquisition losses and other comprehensive income	**(666)**	(598)
	122	3,217

Particulars of the principal joint ventures are set out in note 43.

Notes:

(a) During the year, the Group acquired an additional 10% interest in a joint venture, which owns a completed property project in Shanghai ("Shanghai C21"). The total consideration for the acquisition of approximately RMB150 million (approximately HK$179 million) was settled by (i) cash of RMB10 million (HK$13 million); (ii) an apartment unit and a car parking space in Lakeville Regency Tower 18 in Shanghai, amounting to approximately RMB39 million (approximately HK$47 million); and (iii) two apartment units and three car parking spaces in Shanghai C21, amounting to approximately RMB101 million (approximately HK$121 million). Following completion of the acquisition, the Group owned 80% share interest in this joint venture, which was continued to account for as a joint venture in the consolidated financial statements of the Group as decisions about the relevant activities of the joint venture still require unanimous consent of all shareholders. Details of the transaction are set out in an announcement and a circular of the Company dated 31 December 2014 and 27 April 2015 respectively.

(b) During the year, the Group disposed of its entire interest in LSOC. Details of the transaction are set out in note 11.

(c) During the year, the Group disposed of 65% interest in a property project in Beijing through disposal of the interests in a subsidiary held by one of the Group's joint ventures for a consideration of approximately HK$429 million attributable to the Group. Details of the transaction are set out in an announcement of the Company dated 5 January 2015.

(d) During the year, the Group disposed of 80% interest in a property project in Shanghai through disposal of the interests in subsidiaries held by one of the Group's joint ventures for a consideration of approximately HK$640 million attributable to the Group. Details of the transaction are set out in an announcement and a circular of the Company dated 24 April 2015 and 26 May 2015 respectively.

(e) During the year ended 31 December 2014, the Group disposed of its entire interest in a joint venture, which owns a property development project in Tianjin. Details of the transaction are set out in an announcement of the Company dated 17 April 2014.

(f) During the year ended 31 December 2014, the Group disposed of its 19% interest in a joint venture, which owned a property development project in Chengdu. Details of the transaction are set out in the announcements of the Company dated 23 January 2014 and 26 June 2014.

18. INTERESTS IN JOINT VENTURES (CONTINUED)

(i) Joint ventures (continued)

Summarised financial information of material joint ventures

Following the disposal of interest in LSOC during the year, the Group no longer holds any joint venture that is individually material to the Group at 31 December 2015.

The summarised financial information regarding the assets and liabilities of LSOC Group for the year ended 31 December 2014 was as follows:

	31 December 2014 HK$ million
Current assets	6,490
Non-current assets	18,444
Current liabilities	(12,152)
Non-current liabilities	(4,546)
Non-controlling interests	(2,154)

The above amounts of assets and liabilities include the following:

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

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

The above loss for the year includes the following:

	Year ended 31 December 2014 HK$ million
Depreciation and amortisation	867
Interest income	8
Interest expense	785
Income tax expense	185

18. INTERESTS IN JOINT VENTURES (CONTINUED)

(i) Joint ventures (continued)

Summarised financial information of material joint ventures (continued)

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

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

Aggregate information of joint ventures that are not individually material

The summarised financial information in respect of the joint ventures that are not individually material to the Group at and for each of the years ended 31 December 2015 and 31 December 2014 attributable to the Group's interest is as follows:

	2015 **HK$ million**	2014 HK$ million
Loss after tax	**(345)**	(382)
Total comprehensive expense	**(345)**	(369)

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

	2015 **HK$ million**	2014 HK$ million
Unrecognised share of losses of the joint venture for the year	**(14)**	(11)
Accumulated unrecognised share of losses of the joint venture	**(81)**	(67)

(ii) Joint operations

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

19. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$ million	2014 HK$ million
Available-for-sale investments comprise:		
Listed equity securities in Hong Kong (classified as level 1 fair value measurement and is derived from quoted market price)	**64**	55

Available-for-sale investments at 31 December 2015 and 31 December 2014 represent the Group's equity interest in Shui On Land Limited ("SOL"). At 31 December 2015, the Group held a 0.4% (31 December 2014: 0.4%) equity interest in SOL.

20. INTERESTS IN ASSOCIATES

	2015 HK$ million	2014 HK$ million
Cost of unlisted investments in associates	**180**	158
Share of post-acquisition profits and other comprehensive income	**(34)**	153
	146	311

Particulars of the principal associates are set out in note 44.

Summarised financial information of material associates

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

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

	2015 HK$ million	2014 HK$ million
Current assets	**5,805**	5,998
Non-current assets	**9,624**	10,082
Current liabilities	**(7,857)**	(6,952)
Non-current liabilities	**(5,669)**	(6,348)
Non-controlling interests	**(667)**	(853)

	2015 HK$ million	2014 HK$ million
Revenue	**379**	1,083
Loss after tax	**(744)**	(455)
Total comprehensive expense	**(744)**	(455)

20. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associates (continued)

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

	2015 **HK$ million**	2014 HK$ million
Net assets of the associate	**1,236**	1,927
Proportion of the Group's ownership interest in the associate	**28.2%**	28.2%
Share of other reserves in respect of Richcoast, not taken up by the Group	**(201)**	(213)
Adjustments for unrealised gain and others	**(6)**	(23)
Carrying amount of the Group's interest in the associate	**142**	307

21. AMOUNTS DUE FROM/TO JOINT VENTURES

	2015 **HK$ million**	2014 HK$ million
Amounts due from joint ventures		
Non-current (note a)	**1,986**	2,725
Current (note b)	**617**	1,122
	2,603	3,847
Amounts due to joint ventures (note c)	**108**	376

Notes:

(a) The balances are unsecured and repayable on demand, but not expected to be recovered in the next twelve months from the end of the reporting period. Out of the total balance, a total of HK$1,538 million (2014: HK$2,519 million) bear interest at 13% (2014: 3.74% to 13.00%) per annum and the rest is carried at amortised cost using the effective interest rate of 7.68% (2014: 7.68%) per annum. The balances are after allocation of the share of post-acquisition losses of HK$476 million that are in excess of cost of investments in joint ventures.

(b) The balances are unsecured, interest-free, after allocation of the share of post-acquisition losses of HK$324 million that are in excess of cost of investments in joint ventures and repayable on demand. In the opinion of the Directors of the Company, the balances will be recoverable in the twelve months from the end of the reporting period.

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

22. AMOUNTS DUE FROM/TO ASSOCIATES

	2015 HK$ million	2014 HK$ million
Amounts due from associates		
Non-current (note a)	**1,296**	854
Current (note b)	**292**	555
	1,588	1,409
Amounts due to associates (note c)	**2**	2

Notes:

(a) The balances represent advances to associates for financing the development of Dalian Tiandi. The advances are unsecured and have no fixed terms of repayment, but not expected to be recovered in the next twelve months from the end of the reporting period. Out of the total balance, a total of HK$833 million (2014: HK$242 million) bear interest from 4.8% to 5.0% (2014: 5.0%) per annum and the rest is carried at amortised cost using the effective interest rate of 4.8% (2014: 4.8%) per annum.

(b) The balances are unsecured, repayable on demand and interest-free (2014: a total of HK$316 million bear interest at 6.16% per annum).

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

23. INVENTORIES AND CONTRACTS IN PROGRESS

	2015 HK$ million	2014 HK$ million
Inventories		
Raw materials	**–**	1
	–	1

	2015 HK$ million	2014 HK$ million
Contracts in progress		
Costs incurred to date	**12,068**	8,145
Recognised profits less recognised losses	**431**	355
	12,499	8,500
Less: Progress billings	**(12,507)**	(8,499)
Net contract work	**(8)**	1
Represented by:		
Amounts due from customers for contract work	**342**	295
Amounts due to customers for contract work	**(350)**	(294)
	(8)	1

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

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

	2015 HK$ million	2014 HK$ million
Properties held for sale		
In other regions of the PRC	**354**	554
Properties under development for sale		
In other regions of the PRC (notes)	**554**	820

Notes:

(a) Properties under development for sale of HK$554 million at 31 December 2015 (2014: HK$820 million) represent the carrying value of the properties expected to be completed and available for sale after one year from the end of the reporting period.

(b) Subsequent to the end of the reporting period, the Group disposed of two land parcels in Guizhou, classified under property under development for sale, for an aggregate consideration of approximately HK$463 million via a disposal of a subsidiary. With reference to the disposal consideration, which was less than the carrying amount of the property, an impairment loss of HK$238 million was recognised in the consolidated statement of profit or loss for the year ended 31 December 2015 (see note 41(a)).

25. OTHER CURRENT ASSETS

Debtors, deposits and prepayments

	2015 HK$ million	2014 HK$ million
Trade debtors	**598**	645
Less: Allowance for doubtful debts	**(5)**	(1)
	593	644
Retention receivable	**220**	197
Prepayments, deposits and other receivables (note b)	**857**	816
	1,670	1,657
Less: amounts due for settlement after 12 months	**(12)**	(25)
	1,658	1,632

Notes:

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

(b) Included in prepayments, deposits and other receivables are receivables of HK$417 million (2014: HK$411 million) due from CCP's former subsidiaries (the "Debtor"), which hold a property interest in the PRC and were disposed of in 2008. The amounts are repayable on demand and out of the total outstanding balance, an amount of HK$143 million (2014: HK$152 million) carries interest at prevailing market rates. A court in the PRC issued notices to attach the aforesaid property interest to cause the Debtor to settle part of the outstanding receivable in the amount of RMB140 million (approximately HK$167 million) (2014: RMB120 million (approximately HK$152 million)) and its related interest. In addition to these receivables, the Company has provided a guarantee in relation to a loan granted to the Debtor (see note 38(d)). In the opinion of the Directors of the Company, given that there have been continued positive outcomes in the legal disputes in relation to the property interest, including the successful registration of title deed of the property under the name of the Debtor in May 2015, the Directors of the Company believe that these receivables will be fully settled and the guarantee provided by the Company will be released either through public auction of the aforesaid property interest or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

25. OTHER CURRENT ASSETS (CONTINUED)

Debtors, deposits and prepayments (continued)

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

	2015 **HK$ million**	2014 HK$ million
Trade debtors aged analysis:		
Not yet due or within 90 days	**584**	625
Amounts past due but not impaired:		
91 days to 180 days	**1**	7
181 days to 360 days	**1**	4
Over 360 days	**7**	8
	9	19
	593	644
Retention receivable is analysed as follows:		
Due within one year	**119**	132
Due after one year	**101**	65
	220	197

Movement in the allowance for doubtful debts

	2015 **HK$ million**	2014 HK$ million
Balance at beginning/end of the year	**5**	1

Included in the trade debtors are receivables of HK$35 million (2014: HK$49 million), which are aged over 180 days, based on the date on which revenue was recognised.

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

Bank balances, deposits and cash

Bank balances, deposits and cash comprise cash held by the Group and deposits carry interest at market rates with original maturity of three months or less held with banks.

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

	2015 HK$ million	2014 HK$ million
Amounts due from related companies	**2**	15
Amounts due to related companies	**337**	287
Amounts due to non-controlling shareholders of subsidiaries	**6**	3

The related companies are subsidiaries of SOCL.

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

27. RESTRICTED BANK DEPOSITS

Balances at 31 December 2015 represent custody deposits amounting to HK$732 million (2014: HK$516 million) placed with banks in relation to certain banking facility arrangements of the Group.

The balances carried interest at market rates, which ranged from 0.35% to 1.50% (2014: 0.35% to 2.36%) per annum.

28. ASSETS CLASSIFIED AS HELD FOR DISPOSAL

	2015 HK$ million	2014 HK$ million
Interest in an associate and shareholder's loan (note a)	**364**	387
Investment properties (note b)	**392**	1,297
Total assets classified as held for disposal	**756**	1,684

Notes:

(a) In December 2013, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser") to dispose of 80% of the issued share capital of, and assignment of 80% of the shareholder's loan made to a subsidiary (the "Subsidiary"), which indirectly owns a property development project in Shenyang. The transaction was completed in January 2014. Following the disposal and pursuant to the terms of the agreement, the Subsidiary became a 20% associate of the Group. According to the terms of the agreement, the Group has an option to require the Purchaser to acquire its 20% interest in the Subsidiary and 20% of the shareholder's loan, exercisable after satisfaction of certain post-completion conditions (the "Conditions"), at a pre-determined price. The Purchaser also has an option exercisable at any time after 18 months following the date of the shareholders' deed to require the Group to sell to the Purchaser all of its shares in and the shareholder's loan owing to the Group by the Subsidiary at the same exercise price. On 12 January 2016, the Purchaser exercised the option requiring the Group to sell to it the remaining 20% interest in the Subsidiary and 20% of the shareholder's loan for a total consideration of approximately RMB305 million (HK$364 million) (see note 41(b)). The 20% interest was classified as assets classified as held for disposal in the Group's consolidated statement of financial position at 31 December 2015 and 2014. Details of the transaction are set out in an announcement of the Company dated 12 January 2016.

(b) In late 2013, management of the Company decided to change the intention to sell certain investment properties, which were held under operating leases, on strata-title basis. At 31 December 2015, around 96% of these investment properties have been sold and all the remaining units have been sold or subscribed subsequent to the end of the reporting period. These investment properties were reclassified as assets classified as held for disposal in the Group's consolidated statement of financial position at 31 December 2015 and 2014. During the year, the fair value of the investment properties increased by HK$19 million, which was credited to the consolidated statement of profit or loss.

29. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors (based on invoice date) of HK$531 million (2014: HK$524 million), which are included in the Group's creditors and accrued charges, is as follows:

	2015 HK$ million	2014 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	375	385
31 days to 90 days	30	21
91 days to 180 days	4	14
Over 180 days	122	104
	531	524
Retention payable (note b)	313	303
Provision for contract work/construction cost	694	689
Other accruals and payables	234	314
	1,772	1,830

Notes:

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

(b) The balances include retention payable of HK$59 million (2014: HK$48 million), which is due after one year from the end of the reporting period.

30. BANK AND OTHER BORROWINGS

	2015 HK$ million	2014 HK$ million
Secured bank loans	**1,738**	2,325
Unsecured bank and other loans	**1,597**	4,125
Other secured loans	**–**	190
	3,335	6,640
Less:		
Amounts due within 12 months	**(2,914)**	(5,311)
Classified as current liabilities for reporting purpose	**–**	(957)
	(2,914)	(6,268)
Classified as non-current liabilities for reporting purpose	**421**	372
Carrying amount repayable based on scheduled repayment dates set out in the loan agreements are as follows:		
Within one year	**2,914**	5,311
More than one year but not exceeding two years	**222**	1,097
More than two years but not exceeding five years	**199**	232
	3,335	6,640

The carrying amount of the Group's bank and other loans is analysed as follows:

Denominated in	Interest rate (per annum)	2015 HK$ million	2014 HK$ million
At variable rates			
Renminbi	5.94% (2014: 7.50%)	**102**	114
Hong Kong dollars	1.59% to 5.39% (2014: 2.39% to 5.31%)	**2,610**	5,749
United States dollars	4.11% (2014: 3.05% to 3.21%)	**232**	425
At fixed rates			
Renminbi	11.00% to 15.00% (2014: 11.00% to 15.00%)	**391**	352
		3,335	6,640

The variable interest rates are linked to Hong Kong Interbank Offered Rate, London Interbank Offered Rate and prevailing base lending rate published by the People's Bank of China.

Note:

At 31 December 2015, the Group had bank and other borrowings of HK$3,335 million, of which HK$1,772 million that are due within 12 months from the end of the reporting period were in breach of certain financial covenants as stipulated in the relevant bank loan agreements. Subsequent to the end of the reporting period, except for a loan of HK$233 million which was repaid upon maturity, the Group has obtained waivers from the banks concerned with respect to compliance of the stipulated financial covenants for a total of HK$1,539 million loans.

30. BANK AND OTHER BORROWINGS (CONTINUED)

The following assets (including those under assets classified as held for disposal) were pledged as security for certain banking facilities and other loans granted to the Group at the end of the reporting period:

	2015 HK$ million	2014 HK$ million
Investment properties	**1,556**	3,011
Amounts due from joint ventures	–	13
	1,556	3,024

Notes:

(a) Custody deposits amounting to HK$732 million (2014: HK$516 million) at 31 December 2015 were placed with banks in relation to certain banking facility arrangements entered into with the Group.

(b) In addition, certain equity interests in some subsidiaries and joint ventures were also charged to banks as security for certain banking facilities granted to the Group at the end of the reporting period.

31. SHARE CAPITAL

	2015 Number of shares	2014 Number of shares	2015 HK$ million	2014 HK$ million
Ordinary shares of HK$1 each:				
Authorised				
At the beginning and the end of the year	**1,000,000,000**	1,000,000,000	**1,000**	1,000
Issued and fully paid				
At the beginning of the year	**484,410,164**	483,992,111	**484**	484
Exercise of share options	–	418,053	–	–
At the end of the year	**484,410,164**	484,410,164	**484**	484

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

32. RETIREMENT BENEFIT PLANS

Hong Kong

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

Mandatory Provident Fund Scheme

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

The Group's contributions to the MPF Scheme charged to the consolidated statement of profit or loss as staff cost during the year amounted to HK$20 million (2014: HK$13 million). The amount of employer's voluntary contributions to the MPF Scheme forfeited for the year ended 31 December 2015 and 31 December 2014 was immaterial and was used to reduce the existing level of contributions.

Defined Benefit Scheme

Contributions to the Scheme are made by the members at 5% of their salaries and by the Group at rates, which are based on recommendations made by the actuary to the Scheme. The current employer contribution rate is 32.7% (2014: 15.3%) of the members' salaries. Under the Scheme, a member is entitled to retirement benefits, which comprise the sum of any benefits transferred from another scheme and the greater of the sum of the employer's scheduled contribution plus the member's contribution (both contributions being calculated on the scheme salary of the member) accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the years of service in the Scheme on the attainment of the retirement age of 60. For members who joined the Scheme before 1997, the retirement age is 60 for male members and 55 for female members.

32. RETIREMENT BENEFIT PLANS (CONTINUED)

Hong Kong (continued)

Defined Benefit Scheme (continued)

The Scheme typically exposes the Company to the following key risks:

Investment risk

Strong investment returns tend to increase the fair value of Scheme assets and therefore improve the Scheme's financial position as measured by the net defined benefit liability/asset, whilst poor or negative investment returns tend to weaken the position.

The members' balances are credited with 6% per annum and 1% per annum interest to pre and post 1 September 2003 balances respectively. Therefore, investment returns are expected to cover the interest to be credited to members' balances over the long term.

The Scheme assets are invested in a diversified portfolio of equities, hedge funds, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location helps to reduce the concentration of risk associated with the Scheme investments.

Interest rate risk

The defined benefit obligation is calculated using a discount rate based on market bond yields. A decrease in the bond yields will increase the defined benefit obligation.

Salary risk

The defined benefit obligation is calculated with reference to the future salaries of members because the Scheme's benefits are salary-related. Salary increases that are higher than expected will increase the defined benefit obligation.

The most recent actuarial valuations of the Scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2015 by Ms. Elaine Hwang of Willis Towers Watson, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

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

	2015	2014
Discount rate	**1.3%**	1.6%
Expected rate of salary increase	**4.5% p.a.**	6.0% p.a.

The actuarial valuation shows that the fair value of the Scheme assets attributable to the Group at 31 December 2015 was HK$364 million (2014: HK$429 million), representing 70% (2014: 75%) of the benefits that has accrued to members.

32. RETIREMENT BENEFIT PLANS (CONTINUED)

Hong Kong (continued)

Defined Benefit Scheme (continued)

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income for the year in respect of the Scheme are as follows:

	Year ended 31 December	
	2015	2014
	HK$ million	HK$ million
Current service cost	**16**	15
Net interest on net defined benefit liabilities	**2**	2
Administrative expenses paid from scheme assets	**2**	2
Defined benefit cost recognised in the consolidated statement of profit or loss	**20**	19
Actuarial loss due to experience adjustment	**7**	17
Actuarial (gain) loss due to financial assumption changes	**(7)**	27
Actuarial gain due to demographic assumption changes	**(6)**	–
Return on Scheme assets less/(greater) than discount rate	**25**	(6)
Remeasurement effects recognised in the consolidated statement of other comprehensive income	**19**	38
Total	**39**	57

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

	2015	2014
	HK$ million	HK$ million
Present value of defined benefit obligation	**(516)**	(569)
Fair value of Scheme assets	**364**	429
Defined benefit liabilities included in the consolidated statement of financial position	**(152)**	(140)

The Scheme assets do not include any shares in the Company (2014: Nil).

32. RETIREMENT BENEFIT PLANS (CONTINUED)

Hong Kong (continued)

Defined Benefit Scheme (continued)

Movements of the present value of defined benefit obligation are as follows:

	2015 HK$ million	2014 HK$ million
At the beginning of the year	**569**	515
Current service cost	**16**	15
Interest cost	**9**	9
Employees' contributions	**7**	7
Actuarial loss – experience adjustment	**7**	17
Actuarial (gain) loss – financial assumptions	**(7)**	27
Actuarial gain – demographic assumptions	**(6)**	–
Benefits paid	**(79)**	(16)
Transfer out	**–**	(5)
At the end of the year	**516**	569

Movements of the present value of Scheme assets are as follows:

	2015 HK$ million	2014 HK$ million
At the beginning of the year	**429**	411
Interest income on Scheme assets	**7**	7
Return on scheme assets (less) greater than discount rate	**(25)**	6
Employers' contributions	**27**	21
Employees' contributions	**7**	7
Benefits paid	**(79)**	(16)
Transfer out	**–**	(5)
Administrative expenses paid from scheme assets	**(2)**	(2)
At the end of the year	**364**	429

32. RETIREMENT BENEFIT PLANS (CONTINUED)

Hong Kong (continued)

Defined Benefit Scheme (continued)

The major categories of Scheme assets of total Scheme assets are as follows:

	2015 HK$ million	2014 HK$ million
Equities	**240**	284
Hedge funds	**43**	45
Bonds and cash	**81**	100
	364	429

The fair value of the Scheme assets are determined based on quoted market price in active market.

The below tables summarises the results of sensitivity analysis on the defined benefit obligation ("DBO"), based on reasonably possible changes in significant actuarial assumptions.

	Adopted rate	Change to Adopted rate	Rate used in sensitivity analysis	Effect on DBO HK$ million	Effect on DBO %
At 31 December 2015					
Discount rate	**1.3%**	**+0.25%**	**1.55%**	**(8)**	**(1.6%)**
		–0.25%	**1.05%**	**8**	**1.6%**
Expected rate of salary increase	**4.5%**	**+0.25%**	**4.75%**	**8**	**1.6%**
		–0.25%	**4.25%**	**(8)**	**(1.6%)**
At 31 December 2014					
Discount rate	1.6%	+0.25%	1.85%	(9)	(1.7%)
		–0.25%	1.35%	10	1.7%
Expected rate of salary increase	6.0%	+0.25%	6.25%	10	1.7%
		–0.25%	5.75%	(10)	(1.7%)

32. RETIREMENT BENEFIT PLANS (CONTINUED)

Hong Kong (continued)

Defined Benefit Scheme (continued)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The expected contributions to the Scheme during the next financial year are as follows:

	2015 HK$ million	2014 HK$ million
Expected employer contributions	**41**	21
Expected member contributions	**6**	7

The weighted average duration of the defined benefit obligation at 31 December 2015 is 6.3 years (2014: 6.4 years).

PRC

The employees of the Company's subsidiaries in the PRC are members of state-managed retirement plans operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement plans to fund the benefits. The only obligation of the Group with respect to the retirement plans is to make the specified contributions. The Group's contributions to state-managed retirement plans charged to the consolidated statement of profit or loss as staff cost during the year amounted to HK$3 million (2014: HK$6 million).

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

33. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$ million	Revaluation of properties HK$ million	Tax losses HK$ million	Total HK$ million
At 1 January 2014	(1)	(714)	26	(689)
Exchange adjustments	–	3	–	3
(Charge) credit to consolidated statement of profit or loss	(1)	267	–	266
At 31 December 2014	(2)	(444)	26	(420)
Exchange adjustments	**–**	**16**	**(1)**	**15**
Credit to consolidated statement of profit or loss	**–**	**180**	**–**	**180**
At 31 December 2015	**(2)**	**(248)**	**25**	**(225)**

Notes:

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

(b) At 31 December 2015, the Group had unused tax losses of HK$1,323 million (2014: HK$1,149 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK$100 million (2014: HK$100 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$1,223 million (2014: HK$1,049 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2015 are tax losses of approximately HK$547 million (2014: HK$494 million) that will expire within 5 years from the year of originating. Other tax losses may be carried forward indefinitely.

(c) Under the tax regulations of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Group's PRC investees from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to profits earned by the Company's PRC subsidiaries amounting to HK$587 million at 31 December 2015 (2014: HK$629 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

34. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment properties earned during the year ended 31 December 2015 was HK$29 million (2014: HK$40 million).

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

	2015 **HK$ million**	2014 HK$ million
Within one year	**15**	22
In the second to fifth years inclusive	**40**	55
After five years	**24**	30
	79	107

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$ million**	2014 HK$ million
Within one year	**19**	20
In the second to fifth years inclusive	**10**	20
	29	40

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

35. CAPITAL COMMITMENTS

At 31 December 2015, the Group's share of capital commitments of its joint ventures is as follows:

	2015 **HK$ million**	2014 HK$ million
Contracted but not provided for	**–**	95

36. SHARE-BASED PAYMENTS

On 22 August 2012, the Company adopted a share option scheme (the "Existing Scheme"), which has a life of 10 years until 21 August 2022, to replace the share option scheme adopted on 27 August 2002 (the "Old Scheme"), which had expired on 30 August 2012. Since then, no further option can be granted under the Old Scheme, but all options granted previously remain exercisable in accordance with the terms of the Old Scheme and the relevant letters of offers to the respective grantees. The principal terms of each of the Existing Scheme and the Old Scheme are summarised below:

(i) The Existing Scheme

1. Purpose

To grant share incentives for recognising, acknowledging and promoting the contributions which eligible participants have made or may make to the Group.

2. Eligible participants

Any of the following persons whose eligibility is determined by the Board from time to time on the basis of his performance and contribution to the development and growth of the Group: any employee, director, officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity.

3. Total number of shares available for issue

48,402,842 shares, representing approximately 9.99% of the issued shares of the Company as of 31 December 2015.

4. Maximum entitlement of each eligible participant

Not exceeding 1% of the shares of the Company in issue in any 12-month period, unless approved by shareholders of the Company in general meeting.

5. Period within which the shares must be taken up under an option

As determined by the Board when offering the grant of any option, provided that such period must not be more than 10 years from the date of grant of the option.

6. Minimum period for which an option must be held before it could be exercised

As determined by the Board when offering the grant of any option.

7. Exercise price

Not less than the highest of: (i) the closing price of a share of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as shown in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

8. Payment on and period of acceptance

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

36. SHARE-BASED PAYMENTS (CONTINUED)

(ii) The Old Scheme

1. Purpose

To grant share incentives for recognising and acknowledging the contributions which eligible participants had made or might make to the Group.

2. Eligible participants

Any of the following persons whose eligibility was determined by the Board from time to time on the basis of his performance and contribution to the development and growth of the Group: any employee, director, officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity.

3. Total number of shares available for issue

9,106,000 shares, representing approximately 1.88% of the issued shares of the Company as of 31 December 2015.

4. Maximum entitlement of each eligible participant

Not exceeding 1% of the shares of the Company in issue in any 12-month period, unless approved by shareholders of the Company in general meeting.

5. Period within which the shares must be taken up under an option

As determined by the Board when offering the grant of any option, provided that such period must not be more than 10 years from the date of grant of the option.

6. Minimum period for which an option must be held before it could be exercised

As determined by the Board when offering the grant of any option.

7. Exercise price

Not less than the highest of: (i) the closing price of a share of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as shown in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

8. Payment on and period of acceptance

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

36. SHARE-BASED PAYMENTS (CONTINUED)

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

			Number of shares subject to options							
Date of grant	Grant	Subscription price per share HK$	At 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31 December 2015	Period during which share options outstanding are exercisable	Average closing reference price for exercise of options HK$ (Note 1)
9 April 2009	2	7.63	380,000	–	–	–	–	380,000	9 April 2012 to 8 April 2019	–
12 April 2010	3	12.22	4,530,000	–	–	(4,530,000)	–	–	12 October 2010 to 11 April 2015	–
12 April 2010	4	12.22	2,450,000	–	–	(1,050,000)	–	1,400,000	12 April 2013 to 11 April 2020	–
13 May 2011	5	10.66	3,540,000	–	–	(330,000)	–	3,210,000	13 November 2011 to 12 May 2016	–
23 June 2011	6	10.90	1,680,000	–	–	(450,000)	–	1,230,000	23 December 2011 to 22 June 2016	–
28 July 2011	7	10.00	8,000,000	–	–	(5,114,000)	–	2,886,000	1 May 2015 to 27 July 2021	–
26 November 2012	8	8.18	3,614,000	–	–	(218,000)	–	3,396,000	26 May 2013 to 25 November 2017	–
14 June 2013	9	9.93	4,420,000	–	–	(380,000)	–	4,040,000	14 December 2013 to 13 June 2018	–
			28,614,000	–	–	(12,072,000)	–	16,542,000		
Number of shares subject to options exercisable at the end of the year								12,709,000		

36. SHARE-BASED PAYMENTS (CONTINUED)

			Number of shares subject to options							
Date of grant	Grant	Subscription price per share HK$	At 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year (Note 2)	At 31 December 2014	Period during which share options outstanding are exercisable	Average closing reference price for exercise of options HK$ (Note 1)
9 April 2009	1	7.63	855,279	–	(234,053)	(621,226)	–	–	9 October 2009 to 8 April 2014	9.54
9 April 2009	2	7.63	380,000	–	–	–	–	380,000	9 April 2012 to 8 April 2019	–
12 April 2010	3	12.22	5,010,000	–	–	(480,000)	–	4,530,000	12 October 2010 to 11 April 2015	–
12 April 2010	4	12.22	2,450,000	–	–	–	–	2,450,000	12 April 2013 to 11 April 2020	–
13 May 2011	5	10.66	4,206,000	–	–	(666,000)	–	3,540,000	13 November 2011 to 12 May 2016	–
23 June 2011	6	10.90	1,930,000	–	–	(250,000)	–	1,680,000	23 December 2011 to 22 June 2016	–
28 July 2011	7	10.00	46,300,000	–	–	(1,250,000)	(37,050,000)	8,000,000	1 May 2015 to 27 July 2021	–
26 November 2012	8	8.18	4,242,000	–	(184,000)	(444,000)	–	3,614,000	26 May 2013 to 25 November 2017	9.56
14 June 2013	9	9.93	4,850,000	–	–	(430,000)	–	4,420,000	14 December 2013 to 13 June 2018	–
			70,223,279	–	(418,053)	(4,141,226)	(37,050,000)	28,614,000		
Number of shares subject to options exercisable at the end of the year								15,284,000		

Notes:

1. The average closing reference price represented the average of the closing prices of the Company's shares at the dates on which the share options were exercised during that year, weighted by the number of shares subject to the options exercised by such category of eligible participants.
2. During the year ended 31 December 2014, the Company cancelled portions of the share options granted on 28 July 2011. The Company accounted for the cancellation as an acceleration of vesting, and recognised immediately the amount taken into account the estimate of insignificant amount of share options that would have been vested had the cancellation not occurred.

36. SHARE-BASED PAYMENTS (CONTINUED)

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

For Grants 1, 3, 5, 6, 8 and 9:

20%: 6 months after the date of grant

20%: 1st anniversary of the date of grant

20%: 2nd anniversary of the date of grant

20%: 3rd anniversary of the date of grant

20%: 4th anniversary of the date of grant

For Grant 2:

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

The vesting schedule is as follows:

Positive change in TSR of the Company compared to the change in the HSI TRI during the relevant Performance Period	Vested portion of options
Less than the change in the HSI TRI	0%
Equal to the change in the HSI TRI	30%
For each percentage point up to 35% above the change in the HSI TRI	2%
Higher than the change in the HSI TRI by 35% or above	100%

If the change in HSI TRI was negative compared to the positive change in TSR of the Company, full vesting would apply.

For Grant 4:

Service Requirement	The options might vest on 12 April 2013 subject to the satisfaction of all the performance conditions.
Performance Hurdle	The options might vest on vesting date depending on the Group's performance during the 3 years from 1 January 2010 to 31 December 2012 according to the performance measures comprising a range of specific performance criteria/targets that the grantees were required to achieve in the said 3-year performance period for creating shareholder value, which include return on equity, free cash flow and risk management, achievement of strategic goals, financial and operational performance targets.

36. SHARE-BASED PAYMENTS (CONTINUED)

For Grant 4: (continued)

The vesting schedule is as follows:

Performance	Vested portion of options
Superior	100%
Superior minus	90%
Good plus (more or less achieving all targets)	75%
Good	60%
Good minus and below	0 – 35%

Intermediate vesting percentages might be determined at the discretion of the Board.

For Grant 7:

Service Requirement	The options might vest on 1 May 2015 subject to the satisfaction of all the performance conditions, and the vested options will become exercisable in accordance with the following schedule: 50%: from 1 May 2015 25%: from 1 January 2016 25%: from 1 January 2017
Performance Hurdle	Vesting of the options was based on, in the case of grants to Executive Directors, the achievement of corporate performance targets covering three major areas of financial performance, project-specific achievement and future growth potential and, in the case of grants to selected key executives, both the achievement of the said corporate performance targets as well as individual performance, over a period of the 3.5 years from 1 July 2011 to 31 December 2014.

The vesting schedule is as follows:

Performance	Vested portion of options
Excellent (> 150% of target)	Up to 100%
Superior (125% – 150% of target)	Up to 80%
Good (100% of target)	Up to 40%
Fair (75% of target)	Up to 20%
Poor (<75% of target)	0%

36. SHARE-BASED PAYMENTS (CONTINUED)

The fair values of services received in return for share options granted is measured by reference to the fair value of share options granted. Except for Grant 2, which adopts the Monte Carlo model, the estimate of the fair value of the share options granted is measured based on the Binomial model. The inputs into the models were as follows:

	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5
Date of grant	9 April 2009	9 April 2009	12 April 2010	12 April 2010	13 May 2011
Average fair value	HK$2.26	HK$2.16	HK$4.33	HK$4.73	HK$3.66
Share price on the date of grant	HK$7.27	HK$7.27	HK$12.22	HK$12.22	HK$10.66
Exercise price	HK$7.63	HK$7.63	HK$12.22	HK$12.22	HK$10.66
Expected volatility	52% p.a.	52% p.a.	55% p.a.	48% p.a.	53% p.a.
Average expected life	5 years	5 years	5 years	10 years	5 years
Average risk-free rate	1.56% p.a.	1.91% p.a.	1.70% p.a.	2.64% p.a.	1.34% p.a.
Expected dividend paid	5% p.a.	5% p.a.	4% p.a.	4% p.a.	4% p.a.
Rate of leaving service	3.5% p.a.	n/a	3% p.a.	0% p.a.	3% p.a.
Expected volatility of HSI TRI	n/a	38% p.a.	n/a	n/a	n/a
Expected correlation between TSR of the Company and HSI TRI	n/a	58% p.a.	n/a	n/a	n/a

	Grant 6	Grant 7	Grant 8	Grant 9
Date of grant	23 June 2011	28 July 2011	26 November 2012	14 June 2013
Average fair value	HK$3.72	HK$3.71	HK$1.95	HK$1.65
Share price on the date of grant	HK$10.90	HK$10.00	HK$8.10	HK$9.93
Exercise price	HK$10.90	HK$10.00	HK$8.18	HK$9.93
Expected volatility	53% p.a.	47% p.a.	40% p.a.	30% p.a.
Average expected life	5 years	8 years	5 years	5 years
Average risk-free rate	1.04% p.a.	1.99% p.a.	0.26% p.a.	0.66% p.a.
Expected dividend paid	4% p.a.	4% p.a.	4.5% p.a.	5% p.a.
Rate of leaving service	3% p.a.	3% p.a.	3% p.a.	4% p.a.

No share options were granted by the Company pursuant to the Existing Scheme during the year ended 31 December 2015 and 2014. Therefore, no considerations were received by the Company for taking up any share option during both years.

The Group recognised a total expense of HK$3 million for the year ended 31 December 2015 (2014: HK$8 million) in relation to share options granted by the Company.

37. DISPOSAL OF SUBSIDIARIES

(a) In December 2013, the Group entered into a sale and purchase agreement with an independent third party to dispose of 80% of the issued share capital of, and assignment of 80% of the shareholder's loan made to a subsidiary, which was classified as held for disposal at 31 December 2013. The transaction was completed in January 2014. Following the disposal and pursuant to the terms of the agreement, this subsidiary became a 20% associate of the Group and is classified as held for disposal at 31 December 2014. Details of the transaction are set out in an announcement and a circular of the Company dated 3 December 2013 and 6 January 2014 respectively.

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

	HK$ million
Assets classified as held for disposal	
Investment property	403
Property under development for sale	1,511
Liabilities associated with assets classified as held for disposal	
Deferred tax liabilities	(38)
Net assets disposed of	1,876
Consideration	1,510
Net assets disposed of	(1,876)
Fair value of 20% retained interest in an associate	388
Cumulative other reserve reclassified to profit or loss	6
Transaction costs incurred in connection with the disposal	(48)
Loss on disposal	(20)
Total consideration satisfied by:	
Cash consideration received	1,510
Net cash inflow arising on disposal:	
Cash consideration received	1,510
Transaction costs paid	(18)
	1,492

37. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) In August 2014, the Group entered into agreements with the SOL group to sell the Group's equity interests in and the related shareholders' loans to certain subsidiaries, which are engaged in the construction, interior fit-out and renovation businesses in the PRC. The transaction was completed in October 2014. Details of the transaction are set out in an announcement and a circular of the Company dated 21 August 2014 and 25 September 2014 respectively.

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

	HK$ million
Property, plant and equipment	4
Interest in a joint venture	6
Debtors, deposits and prepayments	225
Amounts due from customers for contract work	60
Amounts due from joint ventures	307
Amounts due from associates	59
Amounts due from related companies	559
Bank balances, deposits and cash	164
Creditors and accrued charges	(557)
Amounts due to customers for contract work	(198)
Amounts due to Group's companies	(220)
Amounts due to associates	(5)
Taxation payable	(9)
Non-controlling interests	(26)
Net assets disposed of	369
Consideration	355
Net assets disposed of	(369)
Cumulative exchange differences reclassified to profit or loss	26
Transaction costs incurred in connection with the disposal	(3)
Gain on disposal	9
Total consideration satisfied by:	
Cash consideration received – current year	15
Cash consideration received – prior year	340
	355
Net cash inflow arising on disposal:	
Cash consideration received – current year	15
Cash consideration received – prior year	340
Cash and cash equivalents disposed of	(164)
Transaction costs paid	(3)
	188

38. CONTINGENT LIABILITIES

At 31 December 2015, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

(a) Standby documentary credit arranged with a bank to secure a bank loan of RMB110 million (HK$131 million) (2014: RMB110 million (HK$139 million)) granted to a subsidiary of an associate.

(b) Effective share of guarantees issued in favour of banks and other financial institution amounting to HK$827 million (2014: HK$975 million) to secure bank and other loans granted to certain joint ventures and associates.

(c) Effective share of a guarantee issued in favour of a joint venture (the "Joint Venture", which was formed between an associate and an independent third party (the "Joint Venture Partner")) and the Joint Venture Partner for an amount not exceeding RMB99 million (HK$118 million) (2014: RMB99 million (HK$125 million)) in respect of certain of the Group's payment obligations to the Joint Venture and the Joint Venture Partner.

(d) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of CCP at that time (the "Former Subsidiary"). Subsequently, the Former Subsidiary was sold by CCP in 2008, but the Company remained as the guarantor for the bank loan following the disposal (see note 25(b) for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee to October 2016, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$647 million) (2014: RMB542 million (HK$687 million)) and the related interest amounting to RMB280 million (HK$334 million) are secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

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

39. MATERIAL RELATED PARTY TRANSACTIONS

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

Nature of transactions	2015 HK$ million	2014 HK$ million
SOCL and its subsidiaries		
Construction work income	–	563
Dividend income	2	2
Management and information system services	1	1
Interest expenses	2	–
Rental expenses	2	2

The outstanding balances with SOCL Private Group at the end of the reporting period are disclosed in note 26.

(b) During the year, the Group had the following transactions with joint ventures.

Nature of transactions	2015 HK$ million	2014 HK$ million
Interest income	299	319
Imputed interest income	10	9
Management fee income	38	51
Construction/subcontracting work income	–	373
Revenue from sales of goods	–	2
Interest expenses	22	15
Subcontracting work expenses	8	1

The outstanding balances with joint ventures at the end of the reporting period are disclosed in note 21.

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

Nature of transactions	2015 HK$ million	2014 HK$ million
Interest income	38	32
Imputed interest income	22	22
Management fee income	–	11
Construction/subcontracting work income	–	40

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

39. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(e) During the year, the Group received dividend income amounting to HK$237 million (2014: nil) from a joint venture.

(f) During the year, the Group obtained unsecured interest bearing short-term loan of HK$300 million and unsecured non-interest bearing short-term loan of HK$100 million from the wholly-owned subsidiaries of SOCL, which were repaid in the same year.

(g) During the year, the Group paid consultancy fee of HK$26 million (2014: nil) to V I Capital Management Limited, a company wholly owned by Mr. Wong Yuet Leung, Frankie (a former Non-executive Director of the Company), for providing consultancy services with respect to the divestment of the Group's interest in LSOC.

(h) During the year, the Group paid consultancy fee of HK$2 million (2014: nil) to Mr. Gerrit Jan de Nys, a Non-executive Director of the Company, for providing certain consultancy services to the Company. Pursuant to the consultancy agreement, the maximum consultancy fee for all the services provided and to be provided during the one year term by Mr. Gerrit Jan de Nys shall not exceed HK$4.5 million.

(i) During the year ended 31 December 2014, the Group obtained unsecured non-interest bearing short-term loan of HK$60 million from a wholly-owned subsidiary of SOCL, which was repaid in that same year.

(j) During the year ended 31 December 2014, the Group disposed of its construction business in the Mainland to certain wholly-owned subsidiaries of SOL for an aggregated consideration of HK$355 million (note 37(b)).

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

	2015 **HK$ million**	2014 HK$ million
Fees	**2**	2
Salaries and other benefits	**28**	26
Performance bonuses	**5**	4
Retirement benefit scheme contributions	**3**	3
Other services fee	**2**	–
Share-based payments	**2**	(2)
	42	33

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

Certain of the above related party transactions also constituted non-exempt connected transactions and continuing connected transactions of the Company under Chapter 14A of the Listing Rules, details of which are disclosed under the Directors' Report section.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$ million	2014 HK$ million
Non-current Assets		
Property, plant and equipment	**4**	2
Interests in subsidiaries	**7,865**	7,931
Club memberships	**1**	1
	7,870	7,934
Current Assets		
Debtors, deposits and prepayments	**182**	170
Amounts due from subsidiaries	**684**	3,134
Amounts due from joint ventures/associates	**6**	37
Amounts due from related companies	**39**	–
Restricted bank deposits	**154**	155
Bank balances, deposits and cash	**298**	255
	1,363	3,751
Current Liabilities		
Creditors and accrued charges	**24**	6
Amounts due to subsidiaries	**560**	560
Amounts due to joint ventures/associates	**419**	427
Amounts due to related companies	**487**	487
Bank and other borrowings	**1,960**	4,590
	3,450	6,070
Net Current Liabilities	**(2,087)**	(2,319)
Total Assets Less Current Liabilities	**5,783**	5,615
Capital and Reserves		
Share capital (note 31)	**484**	484
Reserves (note)	**3,792**	3,661
	4,276	4,145
Non-current Liabilities		
Amounts due to subsidiaries	**1,355**	1,330
Defined benefit liabilities	**152**	140
	1,507	1,470
	5,783	5,615

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors of the Company on 23 March 2016 and are signed on its behalf by:

Lo Hong Sui, Vincent
Chairman

Wong Fook Lam, Raymond
Managing Director and Chief Financial Officer

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: Movement of the Company's reserves are set out below:

	Share premium HK$ million	Contributed surplus HK$ million	Retained profits HK$ million	Share option reserve HK$ million	Actuarial gain and loss HK$ million	Other reserve HK$ million	Total HK$ million
At 1 January 2014	3,168	89	422	74	(34)	231	3,950
Loss for the year	–	–	(262)	–	–	–	(262)
Recognition of actuarial loss	–	–	–	–	(38)	–	(38)
Total comprehensive expense for the year	–	–	(262)	–	(38)	–	(300)
Issue of shares upon exercise of share options	3	–	–	–	–	–	3
Recognition of share-based payments	–	–	–	8	–	–	8
Transfer upon exercise/lapse of share options	1	–	7	(8)	–	–	–
At 31 December 2014	3,172	89	167	74	(72)	231	3,661
Profit for the year	**–**	**–**	**147**	**–**	**–**	**–**	**147**
Recognition of actuarial loss	**–**	**–**	**–**	**–**	**(19)**	**–**	**(19)**
Total comprehensive income (expense) for the year	**–**	**–**	**147**	**–**	**(19)**	**–**	**128**
Recognition of share-based payments	**–**	**–**	**–**	**3**	**–**	**–**	**3**
Transfer upon lapse of share options	**–**	**–**	**30**	**(30)**	**–**	**–**	**–**
At 31 December 2015	**3,172**	**89**	**344**	**47**	**(91)**	**231**	**3,792**

41. EVENTS AFTER THE REPORTING PERIOD

(a) On 4 January 2016, the Group entered into an agreement for the disposal of the entire issued share capital of New Prime Investments Limited (an indirect wholly-owned subsidiary of the Company), which indirectly owns two land parcels for property development in Guizhou, for an aggregate consideration of RMB388 million (HK$463 million). The disposal was completed on 15 January 2016. Details of the transaction are set out in an announcement of the Company dated 4 January 2016.

(b) On 12 January 2016, the other investor of the Group's 20%-owned associate exercised the call option to acquire the Group's remaining 20% interest in the associate together with the outstanding shareholder's loan for a total consideration of approximately RMB305 million (HK$364 million). This associate indirectly owns a property development project in Shenyang and was classified as held for disposal at 31 December 2015. The disposal was completed on 12 January 2016. Details of the transaction are set out in an announcement of the Company dated 12 January 2016.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries at 31 December 2015 and 31 December 2014, which principally affect the results or assets of the Group. All the companies listed below were incorporated and are operating in Hong Kong except as otherwise indicated.

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Construction and building maintenance business				
P.D. (Contractors) Limited	1,000,000 ordinary shares (HK$1,000,000)	–	82% (note)	Renovation work
Pacific Extend Limited	10,000 ordinary shares (HK$10,000) 6,000 special shares (HK$6,000)	–	67%	Maintenance contractor
Pat Davie Limited	2,600,100 ordinary shares (HK$2,600,100) 100,000 non-voting deferred shares (HK$1,000,000) 6,800,000 non-voting deferred shares (HK$6,800,000)	–	82% (note)	Interior decoration, fitting out, design and contracting
Pat Davie (Macau) Limited##	Two quotas of total face value of MOP1,000,000	–	82% (note)	Interior decoration, fitting out, design and contracting
Shui On Building Contractors Limited	117,000,100 ordinary shares (HK$117,000,100) 33,000,100 non-voting deferred shares (HK$33,000,100) 50,000 non-voting deferred shares (HK$50,000,000)	–	100%	Building construction and maintenance
Shui On Construction Company Limited	100 ordinary shares (HK$100) 69,000,000 non-voting deferred shares (HK$69,000,000) 1,030,000 non-voting deferred shares (HK$103,000,000)	–	100%	Building construction
Shui On Contractors Limited*	1 share of US$1	100%	–	Investment holding
Shui On Plant and Equipment Services Limited	16,611,000 ordinary shares (HK$16,611,000) 45,389,000 non-voting deferred shares (HK$45,389,000)	–	100%	Owning and leasing of plant and machinery and structural steel construction work

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Property business				
New Rainbow Investments Limited*	1 share of US$1	100%	–	Investment holding
Brilliance Investments Limited*	1 share of US$1	100%	–	Investment holding
Main Zone Group Limited*	1 share of US$1	100%	–	Investment holding
China Central Properties Limited^	281,193,011 shares of GBP0.01 each	57.12%	42.88%	Investment holding
Shui On China Central Properties Limited*	1 share of US$1	–	100%	Investment holding
Dalian Shengyuan Real Estate Consulting Co., Ltd.**+	Registered and paid up capital of RMB50,000,000	–	100%	Investment holding
北京億達房地產開發有限公司**++ (Beijing Yida Real Estate Development Co., Ltd.)	Registered and paid up capital of RMB30,000,000	–	100%	Property investment
Chengdu Shui On Huiyuan Property Co., Ltd.**+	Registered and paid up capital of US$21,000,000	–	100%	Property development
Chongqing Hui Zheng Properties Co., Ltd.**+	Registered and paid up capital of US$75,000,000	–	100%	Property development
Honest Joy Investments Limited*	100 shares of US$1 each	–	100%	Investment holding
Pacific Hill Limited	1 ordinary share (HK$1)	–	100%	Investment holding
Shenyang Hua Hui Properties Co. Ltd.**+	Registered and paid up capital of US$70,000,000	–	100%	Property development
廣州英發房地產開發有限公司**+ (Guangzhou Infotach Property Development Co., Ltd.)	Registered and paid up capital of US$64,700,000	–	100%	Property development

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Property business (continued)				
SOCAM Asset Management Limited*	1 share of US$1	100%	–	Investment holding
SOCAM Asset Management (HK) Limited	1 ordinary share (HK$1)	–	100%	Provision of management services
Beijing SOCAM Real Estate Consulting Co., Ltd.**+	Registered and paid up capital of RMB800,000	–	100%	Provision of consultancy services
Shui On Project Management (China) Limited*	1 share of US$1	–	100%	Investment holding
Trillion Earn Limited	1 ordinary share (HK$1)	–	100%	Investment holding
High Spirit Project Management Consultancy Limited	1 ordinary share (HK$1)	–	100%	Project management consultancy services
Poly Edge Enterprises Limited*	1 share of US$1	100%	–	Investment holding
Max Clear Holdings Limited*	1 share of US$1	100%	–	Provision of management services
Dalian Zhong Hui Construction Materials Co., Ltd.**+	Registered and paid up capital of US$32,000,000	–	100%	Wholesale of construction materials
Broad Wise Limited*	100 shares of US$1 each	–	100%	Investment holding
遵義天時利房地產開發有限公司**+ (Zunyi Tinsley Real Estate Development Co., Ltd.)	Registered and paid up capital of HK$388,000,000	–	100%	Property development
Other businesses				
Rise Huge International Limited*	1 share of US$1	100%	–	Investment holding
Gold Honour Holdings Limited*	1 share of US$1	100%	–	Investment holding
Lamma Rock Products Limited	100 ordinary shares (HK$1,000) 3,500,000 non-voting deferred shares (HK$35,000,000)	–	100%	Investment holding
T H Industrial Management Limited#	2,740 ordinary shares of US$1 each	–	100%	Investment holding

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Other businesses (continued)				
Chongqing Yugang Foreign Investment Consulting Limited**++	Registered and paid up capital of RMB800,000	–	100%	Provision of investment consultation
Glorycrest Holdings Limited*	1 share of US$1	–	100%	Investment holding
Shui On Building Materials Limited	100 ordinary shares (HK$100) 1,000,000 non-voting deferred shares (HK$1,000,000)	–	100%	Investment holding
Shui On Cement (Guizhou) Limited*	100,000 shares of US$1 each	–	100%	Investment holding
Shui On Materials Limited*	1 share of US$1	100%	–	Investment holding
Tinsley Holdings Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Top Bright Investments Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Winway Holdings Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
貴州瑞安水泥發展管理有限公司**+ (Guizhou Shui On Cement Development Management Co. Ltd.)	Registered and paid up capital of US$670,000	–	100%	Provision of consultancy services
貴州凱里建安混凝土有限公司**+ (Guizhou Kaili Ken On Concrete Co., Ltd.)	Registered and paid up capital of RMB10,000,000	–	100%	Supply of ready mixed concrete
貴州凱里瑞安水泥有限公司**+ (Guizhou Kaili Shui On Cement Co. Ltd.)	Registered and paid up capital of RMB60,000,000	–	100%	Trading of cement

* Incorporated in the British Virgin Islands
** Established and operated in other regions of the PRC
*** Incorporated in Mauritius
# Incorporated in the Bahamas
Incorporated in Macau Special Administrative Region of the PRC
^ Incorporated in Isle of Man
\+ Wholly-foreign owned enterprise
++ Limited liability company

None of the subsidiaries had any debt securities subsisting at 31 December 2015 or at any time during the year.

Note:

The shareholding interest held by the Group in P.D. (Contractors) Limited, Pat Davie Limited and Pat Davie (Macau) Limited decreased from 92% to 82% during the year ended 31 December 2015.

43. PARTICULARS OF PRINCIPAL JOINT VENTURES

The Directors are of the opinion that a complete list of the particulars of all joint ventures will be of excessive length and therefore the following list contains only the particulars of principal joint ventures of the Group at 31 December 2015 and 31 December 2014. All the companies listed below were incorporated and are operating in Hong Kong except otherwise indicated.

Indirect joint ventures	Issued and paid up share capital/ registered and paid up capital	Interest held by the Group	Principal activities	Notes
Construction and building maintenance business				
Super Race Limited	420,000 ordinary shares (HK$420,000)	50%	Supply of sink units and cooking benches	
鶴山超合預制件有限公司**@ (Heshan Chaohe Yizhi Jian Co. Ltd.)	Registered and paid up capital of US$1,284,600	50%	Manufacture of sink units and cooking benches	1
Cement operations				
Sichuan Shuangma Cement Co., Ltd.**@	Registered and paid up capital of RMB615,862,000	31.2%	Production and sales of cement and cement related products	3
Chongqing TH New Building Materials Co., Ltd.**@	Registered and paid up capital of RMB41,500,000	33.75%	Production and sales of cement and cement related products	3
Chongqing TH Diwei Cement Co., Ltd.**@	Registered and paid up capital of RMB274,078,000	43.77%	Production and sales of cement and cement related products	3
Chongqing TH Fuling Cement Co., Ltd. **+	Registered and paid up capital of RMB44,000,000	45%	Production and sales of cement and cement related products	3
Chongqing TH Special Cement Co. Ltd.**@	Registered and paid up of capital RMB210,000,000	36%	Production and sales of cement and cement related products	3
Chongqing Lafarge Shui On Cantian Cement Co., Ltd.**@	Registered and paid up capital of RMB270,000,000	33.3%	Production and sales of cement and cement related products	3
Guizhou Dingxiao Shui On Cement Co., Ltd.**+	Registered and paid up capital of RMB264,256,751	45%	Production and sales of cement and cement related products	3

43. PARTICULARS OF PRINCIPAL JOINT VENTURES (CONTINUED)

Indirect joint ventures	Issued and paid up share capital/ registered and paid up capital	Interest held by the Group	Principal activities	Notes
Cement operations (continued)				
Zunyi Sancha Lafarge Shui On Cement Co., Ltd.**+	Registered and paid up capital of RMB440,672,000	45%	Production and sales of cement and cement related products	3
Guizhou Shuicheng Shui On Cement Co., Ltd.**@	Registered and paid up capital of RMB200,000,000	31.5%	Production and sales of cement and cement related products	3
Lafarge Chongqing Cement Co., Ltd.**@	Registered and paid up capital of RMB340,000,000	35.73%	Production and sales of cement and cement related products	3
Lafarge Dujiangyan Cement Co., Ltd.**@	Registered and paid up capital of RMB856,839,300	26.85%	Production and sales of cement and cement related products	3
Lafarge Shui On Cement Limited	2,089,199 ordinary shares (HK$6,525,457,575.55)	45%	Investment holding	3
Panzhihua Jinsha Cement Co., Ltd.**	Registered and paid up capital of RMB10,000,000	45%	Production and sales of cement and cement related products	3
Yunnan Shui On Construction Materials Investment Holding Co., Ltd.**+	Registered and paid up capital of RMB1,000,000,000	45%	Investment holding	3
Yunnan State Assets Cement Chuxiong Co., Ltd.**++	Registered and paid up capital of RMB32,600,000	45%	Production and sales of cement and cement related products	3
Yunnan State Assets Cement Dongjun Co., Ltd.**++	Registered and paid up capital of RMB260,000,000	45%	Production and sales of cement and cement related products	3
Yunnan State Assets Cement Haikou Co., Ltd**++	Registered and paid up capital of RMB54,556,806	45%	Production and sales of cement and cement related products	3
Yunnan State Assets Cement Honghe Co., Ltd.**++	Registered and paid up capital of RMB263,785,829	45%	Production and sales of cement and cement related products	3

43. PARTICULARS OF PRINCIPAL JOINT VENTURES (CONTINUED)

Indirect joint ventures	Issued and paid up share capital/ registered and paid up capital	Interest held by the Group	Principal activities	Notes
Cement operations (continued)				
Yunnan State Assets Cement Jianchuan Co., Ltd.***+	Registered and paid up capital of RMB122,483,913	45%	Production and sales of cement and cement related products	3
Yunnan State Assets Cement Kunming Co., Ltd.***+	Registered and paid up capital of RMB130,375,098	45%	Production and sales of cement and cement related products	3
Property business				
Twenty-One Century Holdings Limited (formerly known as Lead Wealthy Investments Limited)	10,000 ordinary shares (HK$10,000)	80%	Investment holding	1 & 2
Shanghai 21st Century Real Estate Co., Ltd.**+	Registered and paid up capital of US$76,000,000	80%	Property development	1, 2 & 3
Eagle Fit Limited*	200 shares of US$1 each	65%	Investment holding	1
Prime Asset Investment Limited	1 ordinary share (HK$1)	65%	Investment holding	1 & 3
北京啓夏房地產開發有限公司**+ (Beijing Qi Xia Real Estate Development Co., Ltd.)	Registered and paid up capital of US$91,000,000	65%	Property development	1 & 3
Cosy Rich Limited*	2 shares of US$1 each	50.04%	Investment holding	1
Chengdu Xianglong Real Estate Co., Ltd.**+	Registered and paid up capital of RMB450,000,000	81%	Property development	1
Win Lead Holdings Limited*	100 shares of US$1 each	50.04%	Investment holding	1
江蘇九西建設發展有限公司**+ (Jiangsu Jiu Xi Development Co., Ltd.)	Registered and paid up capital of RMB382,000,000	50.04%	Property development	1

43. PARTICULARS OF PRINCIPAL JOINT VENTURES (CONTINUED)

Indirect joint ventures	Issued and paid up share capital/ registered and paid up capital	Interest held by the Group	Principal activities	Notes
Other businesses				
The Yangtze Ventures Limited #	1,000 ordinary shares of HK$0.1 each	65.5%	Venture capital investments	1
The Yangtze Ventures II Limited #	1,000 ordinary shares of HK$0.1 each	75.4%	Venture capital investments	1
On Capital China Fund Series A #	13,923 participating shares of US$0.01 each	66.81%	Venture capital investments	1
On Capital China Fund Series B #	8,418 participating shares of US$0.01 each	61.54%	Venture capital investments	1
Guizhou Bijie Shui On Cement Co., Ltd.**@	Registered and paid up capital of RMB48,000,000	80%	Manufacture and sale of cement	1 & 4
貴州遵義瑞安水泥有限公司**@ (Guizhou Zunyi Shui On Cement Co. Ltd)	Registered and paid up capital of RMB92,000,000	80%	Manufacture and sale of cement	1
Nanjing Jiangnan Cement Co., Ltd.**@	Registered and paid up capital of RMB120,000,000	60%	Manufacture and trading of cement	1

* Incorporated in the British Virgin Islands
** Established and operated in other regions of the PRC
\# Incorporated in the Cayman Islands
\+ Wholly-foreign owned enterprise
@ Equity joint venture
++ Limited liability company

Notes:

1. The Group and the other joint venturers are contractually agreed sharing of control and have rights to the net assets of these entities. The decisions about the relevant activities of these entities require unanimous consent of the Group and the other joint venturers. Accordingly, the Directors consider they are joint ventures.
2. The equity interest held by the Group in Twenty-One Century Holdings Limited (formerly known as Lead Wealthy Investments Limited) and Shanghai 21st Century Real Estate Co., Ltd. increased from 70% to 80% during the year ended 31 December 2015.
3. These companies were disposed of during the year ended 31 December 2015.
4. The company was deregistered during the year ended 31 December 2015.

44. PARTICULARS OF PRINCIPAL ASSOCIATES

The Directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the following list contains only the particulars of principal associates of the Group at 31 December 2015 and 31 December 2014.

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

* Incorporated in the British Virgin Islands
** Established and operated in other regions of the PRC
@ Equity joint venture

The end of the consolidated financial statements.

The statement below from the Company does not form part of the consolidated financial statements:

Readers of these consolidated financial statements are strongly encouraged to read the Management Discussion and Analysis section set out in this annual report, which does not form part of the consolidated financial statements, to gain a fuller appreciation of the Group's financial results and situation in the context of its activities.

GROUP FINANCIAL SUMMARY

1. RESULTS

	Year ended 31 December				
	2011 HK$ million	2012 HK$ million	2013 HK$ million	2014 HK$ million	**2015 HK$ million**
Turnover	5,900	6,443	7,952	6,102	**5,916**
Profit (loss) before taxation	1,080	627	(330)	(1,345)	**(1,041)**
Taxation	(145)	(142)	(542)	(14)	**(68)**
Profit (loss) for the year	935	485	(872)	(1,359)	**(1,109)**
Attributable to:					
Owners of the Company	910	459	(889)	(1,374)	**(1,126)**
Non-controlling interests	25	26	17	15	**17**
	935	485	(872)	(1,359)	**(1,109)**

2. ASSETS AND LIABILITIES

	At 31 December				
	2011 HK$ million	2012 HK$ million	2013 HK$ million	2014 HK$ million	**2015 HK$ million**
Total assets	22,231	23,320	23,120	18,520	**12,339**
Total liabilities	(12,163)	(13,032)	(13,729)	(10,650)	**(6,759)**
	10,068	10,288	9,391	7,870	**5,580**
Equity attributable to:					
Owners of the Company	10,002	10,218	9,324	7,833	**5,542**
Non-controlling interests	66	70	67	37	**38**
	10,068	10,288	9,391	7,870	**5,580**

CORPORATE INFORMATION

BOARD

Executive Directors

Mr. Lo Hong Sui, Vincent (Chairman)

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

Non-executive Directors

Mr. Tsang Kwok Tai, Moses

Mr. Gerrit Jan de Nys

Independent Non-executive Directors

Ms. Li Hoi Lun, Helen

Mr. Chan Kay Cheung

AUDIT COMMITTEE

Mr. Chan Kay Cheung (Chairman)

Mr. Gerrit Jan de Nys

Ms. Li Hoi Lun, Helen

REMUNERATION COMMITTEE

Ms. Li Hoi Lun, Helen (Chairman)

Mr. Lo Hong Sui, Vincent

Mr. Chan Kay Cheung

NOMINATION COMMITTEE

Mr. Lo Hong Sui, Vincent (Chairman)

Ms. Li Hoi Lun, Helen

Mr. Chan Kay Cheung

FINANCE COMMITTEE

Mr. Gerrit Jan de Nys (Chairman)

Mr. Wong Fook Lam, Raymond

Mr. Tsang Kwok Tai, Moses

Mr. Chan Kay Cheung

INVESTMENT COMMITTEE

Mr. Wong Fook Lam, Raymond (Chairman)

Ms. Li Hoi Lun, Helen

Mr. Chan Kay Cheung

EXECUTIVE COMMITTEE

Mr. Wong Fook Lam, Raymond (Chairman)

Mr. Lo Hong Sui, Vincent

Other key executives

COMPANY SECRETARY

Ms. Chan Yeuk Ho, Karen

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House, 2 Church Street

Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

34th Floor, Shui On Centre

6-8 Harbour Road, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited

Clarendon House, 2 Church Street

Hamilton HM 11, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited

Level 22, Hopewell Centre

183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank, Limited

Standard Chartered Bank (Hong Kong) Limited

Industrial and Commercial Bank of China Limited

The Bank of East Asia, Limited

China CITIC Bank International Limited

BNP Paribas

STOCK CODE

983

WEBSITE

www.socam.com

瑞安建業
SOCAM DEVELOPMENT

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