



瑞安建業  
SOCAM DEVELOPMENT

**FOCUS ON  
REALISATION OF  
ASSET VALUES**  
專注資產價值變現



Interim Report 2015 中期報告  
Stock Code 股份代號 : 983

## 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.

Following the successful completion of disposal of the Company's 45% interest in Lafarge Shui On Cement in August 2015, 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 from acquisition, development and market positioning, to disposal. The Company also has close involvement in an integrated knowledge community project in Dalian.
- Burgeoning **construction business** in Hong Kong and Macau focusing on construction, design-and-build, interior fitting-out and renovation, maintenance of public housing, commercial and institutional buildings, with a strong track record of quality, site safety and environmental performance.

Excellence

Quality

Innovation

Integrity

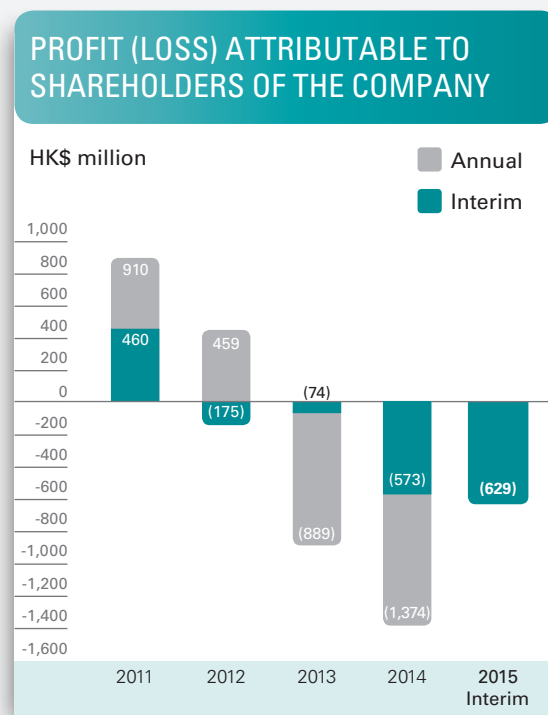
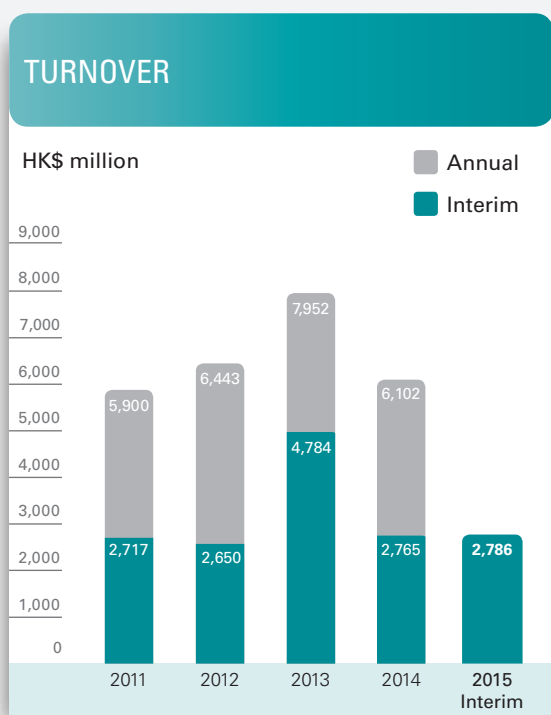
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# FINANCIAL HIGHLIGHTS

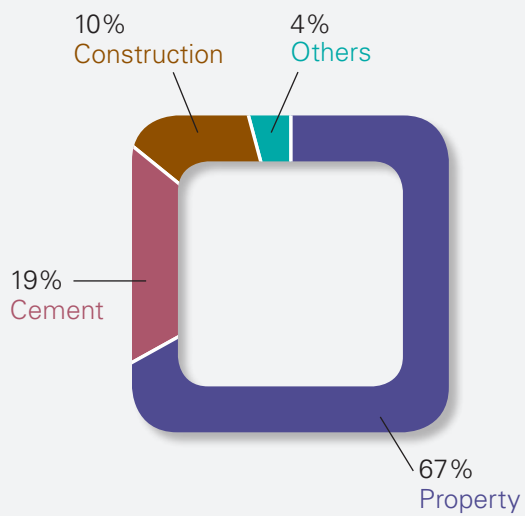
	Six months ended 30 June	
	2015	2014
Turnover		
Company and subsidiaries (the Group)	<b>HK\$2,786 million</b>	HK\$2,765 million
Share of joint ventures and associates	<b>HK\$1,660 million</b>	HK\$2,123 million
Total	<b>HK\$4,446 million</b>	HK\$4,888 million
Loss attributable to shareholders	<b>(HK\$629 million)</b>	(HK\$573 million)
Basic loss per share	<b>(HK\$1.30)</b>	(HK\$1.18)

	At 30 June 2015	At 31 December 2014
Total assets	<b>HK\$16.9 billion</b>	HK\$18.5 billion
Net assets	<b>HK\$7.2 billion</b>	HK\$7.8 billion
Net asset value per share	<b>HK\$14.87</b>	HK\$16.17
Net gearing	<b>54.1%</b>	53.7%



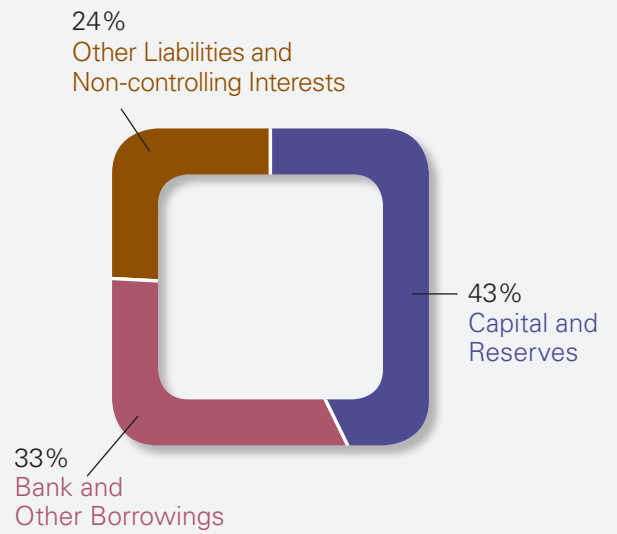
## ASSETS EMPLOYED

At 30 June 2015



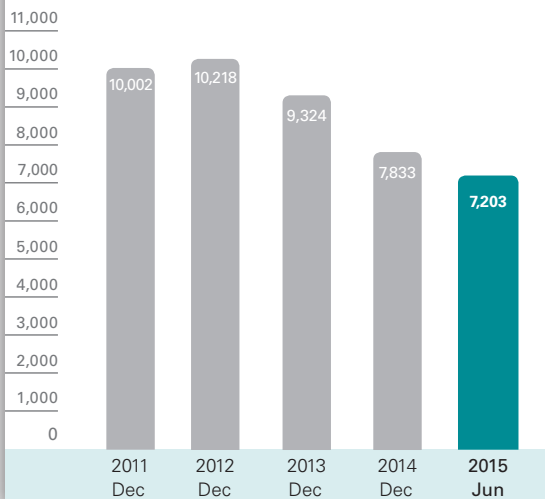
## CAPITAL AND LIABILITIES

At 30 June 2015



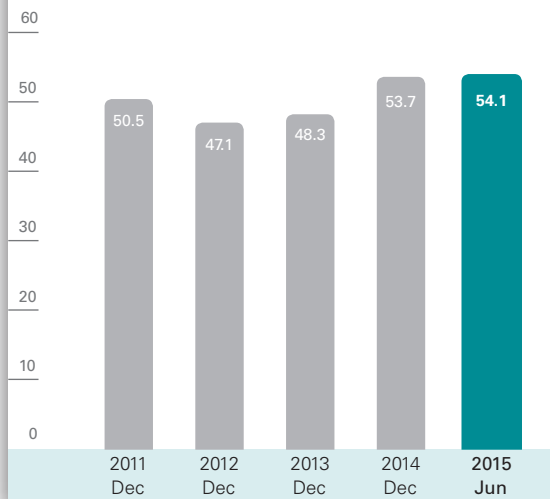
## EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

HK\$ million



## GEARING

Percentage



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### SOCAM's asset monetisation plan made encouraging progress in the first half of 2015 against a challenging macro economic environment.

The pace of overall global growth was moderate. Despite the economy in the United States regaining some momentum, the concerns over the development in Greece and the general economy in the Eurozone were hindering the recovery in Europe.

In the Chinese Mainland, certain major economic drivers have been facing challenges. The Central Government is determined to achieve a more balanced and healthy economy in the longer term, with GDP growth slowing slightly to 7% in the first six months. Overcapacity in a number of industries, including cement, and the lack of new investments, are still the major concerns. The central bank's cuts in interest rates and bank reserve requirement ratios, along with the loosening of administrative measures and restrictions on lending, should allow a positive outlook in the property market, stabilising growth and boosting consumer-led activities.

The lacklustre property market in terms of price growth and downturn in the cement market in the Mainland have significantly affected our results during the period. Although steps have been taken to accelerate new launches and sales activities of our property projects and with pricing strategy adjusted accordingly, the downward pressure on property prices in some cities is still evident.

In Hong Kong, the economy grew modestly by 2.6% in the first half of 2015. The focus of the HKSAR Government on expanding the public housing programme and increasing land supply for more private flats has created a strong market for the construction industry. With a well-established track record, the Group's construction division again delivered solid growth during the period. Nevertheless, the acute shortage in skilled construction labour continued to exert pressure on the profitability of the industry at large.



## Monetisation Progress

The Group continued its focus on asset monetisation plan, aiming at timely divestment in an orderly manner. During this period and beyond, we concluded three major disposals, representing significant milestones in our divestment programme.

Lafarge and Holcim announced in July the successful completion of their global merger; hence the disposal of our 45% interest in Lafarge Shui On Cement for a cash consideration of HK\$2.55 billion was closed on 11 August 2015.

This resulted in the strengthening of our balance sheet with a significant reduction of bank borrowings and net gearing. The parting of this underperforming business will now allow us to return to our core strengths in the Hong Kong construction sector.

In addition, the Group completed the disposal of its 65% interest in Beijing Centrium Residence and its 80% shareholding in the Shanghai 21<sup>st</sup> Century Tower Project, comprising Four Seasons Hotel Pudong and branded residence Four Seasons Place in April and July for cash considerations of HK\$429 million and HK\$640 million attributable to the Group respectively.

### APRIL

Disposal of 65% interest in **Beijing Centrium Residence**

### JULY

Disposal of 80% interest in the **Shanghai 21<sup>st</sup> Century Tower Project**

### AUGUST

Disposal of 45% interest in **Lafarge Shui On Cement**



## PROPERTY

The Group completed the disposal of Beijing Centrium Residence and Shanghai 21<sup>st</sup> Century Tower Project. Management will closely monitor the market and will seize every opportunity to part with our projects if reasonable offers are forthcoming.

Since November 2014, the Chinese Government has implemented a series of measures, including interest rate cuts, along with gradual easing of austerity measures and restrictions on mortgage lending. As a result, there has been progressive improvement in sentiment and the average price of new houses started to see a modest increase. Nationwide, an increasing number of Mainland

cities witnessed property price hikes since May and the real estate sector in top tier cities like Beijing, Shanghai, Shenzhen and Guangzhou is firmly recovering. However, the high level of housing inventories remains an obstacle to recovery in the short term and continues to exert pressure on prices in second and third tier cities.



Chengdu  
Centropolitan

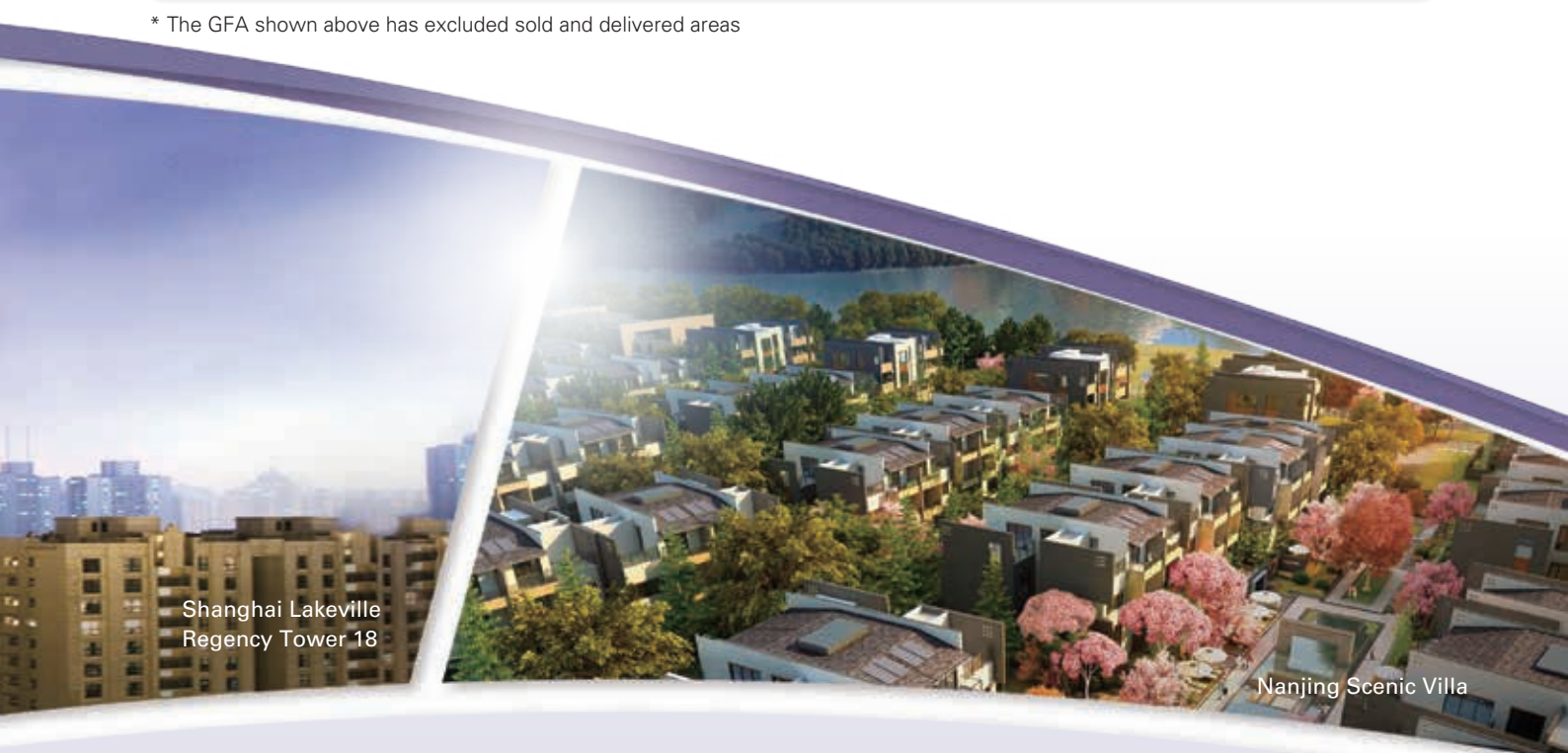


## Special Situation Projects

Following the successful disposals of two property projects, at 31 July 2015, SOCAM owned 9 special situation property projects, with a total developable, attributable gross floor area ("GFA") of approximately 1.55 million square metres.

Location	Project	Total Developable GFA attributable to the Group (square metres)	Estimated completion year	SOCAM's interest
Chengdu	Centropolitan	386,100	2015	81%
Chongqing	Creative Concepts Center	31,500*	Completed	100%
Guangzhou	Parc Oasis	8,400*	Completed	100%
Guizhou	Zunyi Project	780,700	2018	100%
Nanjing	Scenic Villa	66,300	2017	50%
Shanghai	Lakeville Regency Tower 18	8,600*	Completed	100%
Shenyang	Shenyang Project Phase I	99,200*	Completed	100%
	Shenyang Project Phase II	130,600	Contracted disposal scheduled for 2015	20%
Tianjin	Veneto	43,000	2017	45%
<b>TOTAL</b>		1,554,400 square metres		

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



Shanghai Lakeville Regency Tower 18

Nanjing Scenic Villa

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW – PROPERTY

### Project Development and Sales Progress

#### Chengdu Centropolitan

Chengdu Centropolitan is a mixed-use development offering approximately 476,700 square metres of GFA and comprising 11 residential towers, an office block, a serviced apartment tower, a shopping mall and carparks.

Pre-sale of the residential units since September 2014 has met with good response. As at 31 July 2015, more than 83% of the 1,718 residential units put up for sale have been contractually sold. Handover of these pre-sold units to buyers will take place from the fourth quarter of the year. Capitalising on the favourable market conditions, further sales launch of the remaining stock of 269 residential units and the serviced apartments is scheduled for the coming months. This 81%-owned project is due for completion in 2015.

#### Nanjing Scenic Villa

Situated in the heart of the Yangtze River Delta Economic Zone, the project is a joint-venture with SoTan Fund in which SOCAM has a 50% interest. The development consists of a residential development with a total developable GFA of approximately 132,600 square metres and is scheduled for completion in 2017. Pre-sale launch of the first batch of apartments of this project commenced in August 2015.

#### Tianjin Veneto

Tianjin Veneto, situated in a prime location close to the Wuqing Station on the Beijing-Tianjin Intercity Railway, is a retail development. The first phase with a GFA of 65,500 square metres has seen satisfactory customer flow since its opening in January 2015. At the end of June, the main street retail section of this phase was 80% leased.



Tianjin Veneto



Dalian Tiandi

Shenyang Project Phase I

Jointly-developed with the SoTan Fund on a 50-50 basis, the project is expected to provide a total above-ground GFA of 95,600 square metres when fully completed in 2017. Development of other phases is underway.

### Shanghai Lakeville Regency Tower 18

Situated in an upmarket and much sought-after location in the Xintiandi area, 95 of the 102 luxury residential units were sold. We will leverage the more favourable market conditions to accelerate the sales of remaining units.

### Guizhou Zunyi Project

Situated in an area which has been rezoned for commercial and residential development from industrial use, the project will be developed into a mix of townhouses, high-rise apartments and retail elements with a total GFA of approximately 780,000 square metres. Site clearance and resettlement works were finished and the project is targeted for completion in 2018. Disposal of the project has also been examined and negotiations are currently held with interested buyers.

### Shenyang Project Phases I & II

Almost all of the residential units and upscale apartments, and around 80% of the office space of Phase I development, have been sold. At the end of June 2015, approximately 70% of the retail space was leased.

Following the disposal of an 80% interest in Phase II in January 2014, the Group will sell the remaining 20% interest to the same buyer in the 3<sup>rd</sup> quarter of 2015 according to the agreement.

### Guangzhou Parc Oasis

Buoyed by a rebound in the market sentiment in Guangzhou, the Group disposed of the small commercial arcade and around one-third of the carparks during the period, while sales of the remaining carparks continued.

### Chongqing Creative Concepts Center

The Creative Concepts Center commands a prime location in the central business district of Chongqing. With all of its office and residential units sold, the retail mall recorded an occupancy rate of about 70% during the period.

### Knowledge Community

Dalian Tiandi, in which the Group has a 22% interest, is an integrated mixed-use development set in the scenic city of Dalian.

The project envisages a highly modern, trend-setting community development designed to appeal primarily to green living enthusiasts and knowledge workers. It will offer a total GFA of 3.4 million square metres on completion. As of 30 June 2015, the leasable and saleable GFA completed and under construction were 307,000 square metres and 1,026,000 square metres, respectively. The overall office occupancy rate was about 82%.

### CONSTRUCTION

With a well-established track record, the Group's construction division again delivered solid growth during the period. Nevertheless, the acute shortage in skilled construction labour continued to exert pressure on the profitability of the industry at large.

The outlook for Hong Kong's construction industry remains promising, given the HKSAR Government's focus to resolve the shortage of affordable accommodation and to accelerate the building of public housing, with a commitment of delivering an average of about 20,000 public rental units and 9,000 subsidised flats for sale per annum over the next 10 years. In the first quarter, the total value of construction works performed by main contractors achieved a healthy growth, with a 7.4% and 2.0% year-on-year increase in nominal terms and real terms respectively.

Amid the buoyant market, the twinned issues of skilled labour shortage and resultant rise in labour cost remain a challenge despite the Government rolling out a number of measures to address the keen demand for construction labour.

To relieve the pressure on costs, our construction division continued with its improvement on operating efficiency, resulting in enhancement of our core competitiveness.

In the first half of the year, the Group's construction business in Hong Kong and Macau recorded an operating profit of HK\$60 million (2014 restated: HK\$32 million), while turnover increased significantly by 50% to HK\$2,597 million (2014 restated: HK\$1,727 million). The comparative figures in 2014 have been restated to exclude the profit and turnover of the Mainland operation, which was sold in October 2014. New contracts totalling approximately HK\$3.2 billion were secured.



Long Ching Estate  
Hong Kong

Quality fit-out works



West Kowloon Law Courts Building

As of 30 June 2015, the gross value of contracts on hand was approximately HK\$18.3 billion, and the value of outstanding contracts to be completed was approximately HK\$11.9 billion (HK\$16.6 billion and HK\$11.4 billion respectively at 31 December 2014).

Subsequent to the recent incidents of excessive lead in drinking water in certain public rental housing estates, the HKSAR Government has been conducting tests of water samples for lead content, in phases, at the public rental housing estates completed between 2005 and 2015. Shui On Building Contractors (SOBC) is the main contractor of one of the public housing estates involved as of the date of this report. SOBC has been working closely with the Government to implement appropriate measures to deal with the situation in a timely manner. The financial impact of this lead-in-water incident on the Group is not expected to be significant. The outcome of a full scale investigation by the Government should reveal the cause of the various contaminations in several months' time.

## Shui On Building Contractors (SOBC)

SOBC proceeded with the construction works on a number of projects, including public rental housing development projects at San Po Kong Estate, Ex-Yuen Long Estate, So Uk Estate Phase 1, and several term contracts for maintenance works for the Housing Authority.

The company also secured the public rental housing development project at So Uk Estate Phase 2, which provides around 3,700 housing units on completion, valued at HK\$2,399 million.

## Shui On Construction (SOC)

During the period, SOC proceeded with, according to schedule, the design and construction of the West Kowloon Law Courts Building and Hong Kong Children's Hospital, the latter via a joint venture with China State Construction Engineering (Hong Kong), relocation of the Department of Justice to Central Government Offices (Main and East wings) and construction of the Sports Centre, Community Hall and District Library Complex in Shatin.

## Pat Davie (PDL)

Although the gaming industry in Macau recently suffers a considerable decrease in revenue, PDL, the interior fitting-out and building renovation arm, continued to capture the business opportunities in Macau by leveraging its core competitive edges. During the period, PDL secured interior decoration contracts worth approximately HK\$797 million (2014: HK\$790 million). Contracts won in Hong Kong include fit-out works for Cityplaza Three office, Hang Seng Tower in Kowloon Bay, alteration and improvement works on MTRC Hung Hom Station and a shopping centre of The Link, and in Macau, fit-out contracts from Louis XIII, MGM and Wynn. Projects completed included Hong Kong Jockey Club IT & Broadcasting office, and Studio City upper ground gaming floor and Ritz Carlton ballroom and lobbies in Macau.

### CEMENT

The disposal of our 45% interest in Lafarge Shui On Cement was completed on 11 August 2015. This enables us to realise the significant amount of our financial resources tied up in the joint venture, and also frees the Group from the negative impact of the recurring operating loss of LSOC.

With a slower GDP growth and real estate investment, China's cement output saw a year-on-year decline of 5.3% to 1.08 billion tonnes in the first half of 2015.

Lack of infrastructural projects at provincial level and insufficient funding have led to a slowdown in fixed asset investments. As a result, cement prices have continued its downward trend since the beginning of this year.

The cement industry in the southwestern region continued to suffer from over-capacity problems and intensified competition, resulting in a year-on-year decrease in cement prices of approximately 16% at the end of June 2015.

Against this competitive environment, the Group's cement joint-venture Lafarge Shui On Cement (LSOC), a major cement producer in southwest China, recorded yet another half year of substantial loss, of which the Group's share was HK\$276 million, primarily due to

price and volume decreases, reduced margins and high financing cost. Total sales volume for the first half was approximately 12.5 million tonnes. As of June 2015, LSOC had 20 cement plants in operation, with a production capacity of approximately 32 million tonnes per annum.

In April and June 2015, the injections of the 25% interest in the Dujiangyan plants in Sichuan and 100% interest in the Sancha plant in Guizhou by LSOC into Sichuan Shuangma, for a share consideration of RMB832 million and cash consideration of RMB540 million respectively were completed.

As aforementioned, the Group has made significant progress on its exit strategy of LSOC. On 3 March 2015, SOCAM entered into an agreement with Lafarge to dispose of its 45% interest in LSOC for a cash consideration of HK\$2.55 billion, and completion of this disposal took place on 11 August 2015. This enables us to realise the significant amount of our financial resources tied up in LSOC, and also frees the Group from the negative impact of the recurring operating loss of the joint venture.



Lafarge Shui On Cement

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### OUTLOOK

With significant inroads in the monetisation plan, our financial position has been strengthened. The Group will direct its attention to growing the construction business and realising as soon as practicable the values of our remaining property assets.

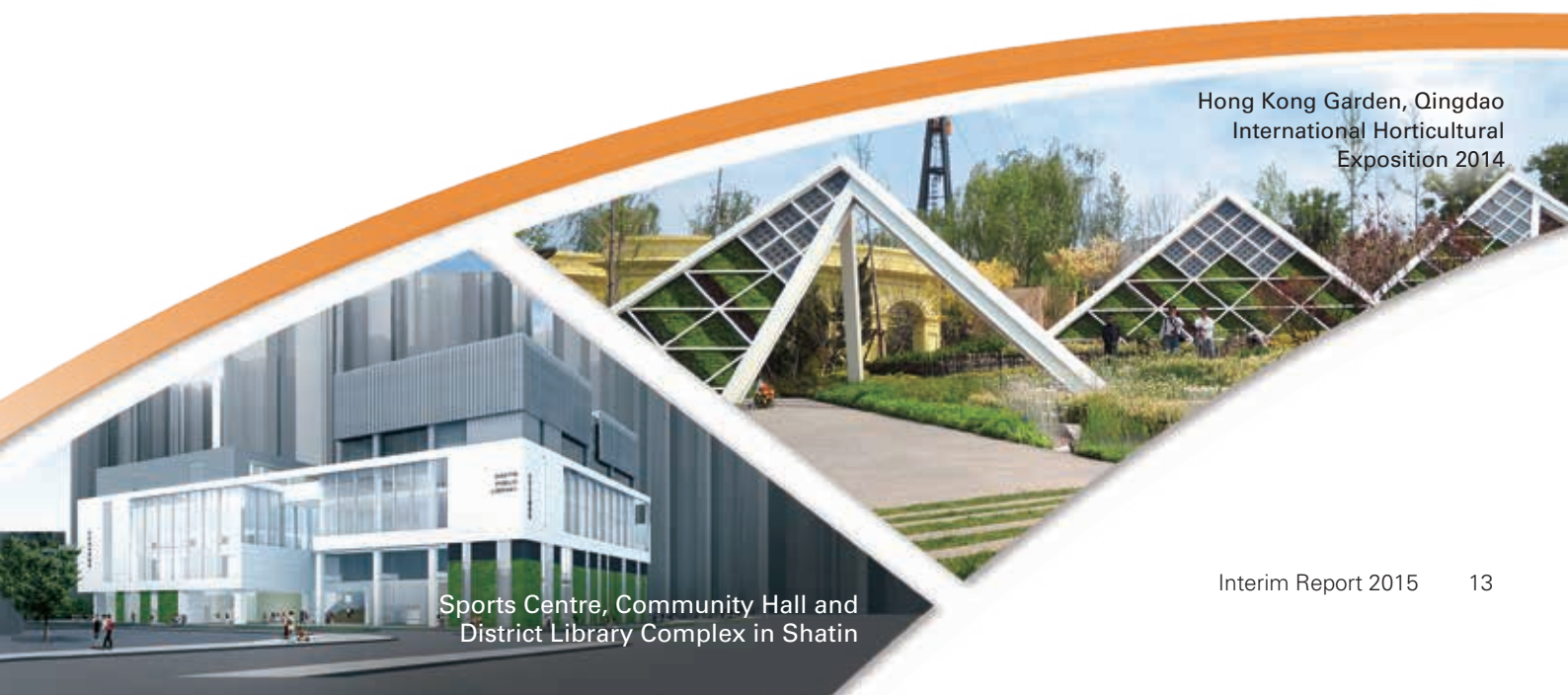
Global economic growth is likely to remain moderate. However, the impending interest rate increase in the United States and the conflicting policy directions of the central banks of other major economies pose ongoing uncertainty. The Greek debt crisis and fragile recovery of the Eurozone as well as the economic slowdown on the Chinese Mainland, are likely to render business environment challenging for the rest of the year.

On the other hand, the construction industry in Hong Kong is full of thriving opportunities; however, intense competition, shortage of labour and rising costs putting continued pressure on profitability.

The intense volatility of China's stock markets and the uncertainty created may have an impact on the economic performance in the Mainland in the second half of the year. Nevertheless, the overall property market should see sustaining volume recovery following the

implementation of supportive monetary and regulatory policies by the Central Government. Management will closely monitor the market and will seize every opportunity to part with our projects if reasonable offers are forthcoming. However, our property business will continue to face keen competition and downward pressure on prices in second-tier Mainland cities due to the large volume of stock left over from the past few years.

With significant inroads in the monetisation plan, in particular, the completion of the exit from LSOC, our financial position has been strengthened. This places the Group in a better position to weather any uncertainties in business environment, and the Group will direct its attention to growing the construction business and realising as soon as practicable the values of our remaining property assets.



Hong Kong Garden, Qingdao  
International Horticultural  
Exposition 2014

Sports Centre, Community Hall and  
District Library Complex in Shatin

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Interim Results

The Group's loss attributable to shareholders for the six months ended 30 June 2015 was HK\$629 million on a turnover of HK\$2,786 million, compared with the loss of HK\$573 million and HK\$2,765 million turnover for the corresponding period last year. The Board has resolved not to declare an interim dividend (2014: nil).

An analysis of the total turnover is as follows:

	Six months ended 30 June 2015 HK\$ million	Six months ended 30 June 2014 HK\$ million
<b>Turnover</b>		
<b>SOCAM and subsidiaries</b>		
Construction	2,597	2,478
Property	185	273
Others	4	14
Total	2,786	2,765
<b>Joint ventures and associates</b>		
Property	268	378
Cement	1,390	1,744
Others	2	1
Total	1,660	2,123
<b>TOTAL</b>	<b>4,446</b>	<b>4,888</b>

Turnover from our construction business recorded a 5% increase in the first half of this year, as compared with the same period last year, despite the disposal of the Mainland construction operation in October 2014. Excluding the turnover of the Mainland construction operation from the last interim period, our construction business in Hong Kong and Macau saw a 50% increase in turnover as a result of an expanded workload during this interim period.

Revenue from the property business decreased to HK\$185 million, from HK\$273 million for the last interim period, as the Group's property inventories available for sale have substantially been disposed of by end of last December. Turnover recognised in this interim period was mainly derived from the sales of the inventories in Guangzhou Parc Oasis.

The sale of our 65% share interest in Beijing Centrium Residence in April 2015 for a consideration of approximately HK\$429 million took the form of an offshore disposal of the project company together with remaining inventories by the joint venture, and therefore the sales proceeds have not been included in turnover. In addition, the revenue derived





Nanjing Scenic Villa

from the strata-title sales of the apartment units of an investment property – Tower 18, Lakeville Regency in Shanghai, amounting to HK\$489 million for the current interim period, has not been included in turnover according to applicable accounting rule.

The Group's share of property sales revenue from the jointly developed projects, 65%-owned Beijing Centrium Residence, 80%-owned Shanghai Four Seasons Place and 22%-owned Dalian Tiandi, decreased to HK\$268 million for the current interim period, compared with HK\$378 million in the same period last year. Such decrease was mainly due to disposal of the entire project interest in Beijing Centrium Residence and lesser sales revenue from Dalian Tiandi.

The considerable decrease in turnover from the cement operation was attributable to the decline in both the sales volume and prices of LSOC, in which the Group has a 45% interest, on sluggish demand and intensified price competition.

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

	Six months ended 30 June 2015 HK\$ million	Six months ended 30 June 2014 HK\$ million
<b>Property</b>		
Net loss on property sales and net rental expenses	(7)	(20)
Fair value changes on investment properties, net of deferred tax provision	(4)	(6)
Share of results of joint ventures and associates	(164)	(167)
Net loss on disposal of a subsidiary and joint ventures	–	(27)
Operating expenses, net of project fee income	(46)	(73)
	<b>(221)</b>	(293)
<b>Construction</b>	<b>60</b>	45
<b>Cement operations – LSOC</b>	<b>(272)</b>	(132)
<b>Venture capital investments</b>	<b>(12)</b>	(12)
<b>Net finance costs</b>	<b>(127)</b>	(136)
<b>Corporate overheads and others</b>	<b>(27)</b>	(31)
<b>Taxation</b>	<b>(25)</b>	(7)
<b>Non-controlling interests</b>	<b>(5)</b>	(7)
<b>TOTAL</b>	<b>(629)</b>	(573)

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Property

Property business reported a reduced loss for the current interim period, which was largely due to lower net operating expenses as the Group's monetisation plan progresses and less foreign exchange losses incurred on bank borrowings on relatively stable exchange rate of Renminbi against Hong Kong dollars during this interim period, while the corresponding period last year included a HK\$27 million net loss on the disposal of Shenyang Project Phase II, Tianjin Wuqing Project Phase II and a 19% interest in Chengdu Centropolitan.

The Group's jointly developed projects, Beijing Centrium Residence, Shanghai Four Seasons Place, Chengdu Centropolitan, Tianjin Veneto and Dalian Tiandi, all together reported a net loss close to that in the last interim period.

### Construction

Construction business posted higher profit for the current interim period, attributable to increased turnover in Hong Kong and Macau. Average net profit margin increased to 2.3% of turnover, from 1.8% in the previous interim period, mainly due to the absence of the Mainland construction contracts, which carried lower margins, after disposal of the Mainland construction arm in October 2014.

### Cement operations

Both sales volume and selling prices of LSOC decreased in the current interim period. Despite the continued decrease in variable cost of production on lower fuel charges, LSOC saw a decline in both margins and EBITDA due to the much depressed cement prices. The Group's 45% share of LSOC's loss increased to HK\$272 million in the first half of 2015.

### Net finance costs

Net finance costs decreased to HK\$127 million for the first half of 2015, from HK\$136 million for the same period in 2014, which was in line with the reduction in bank and other borrowings during the current interim period.

## Assets Base

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

	30 June 2015 HK\$ million	31 December 2014 HK\$ million
Total assets	16,896	18,520
Net assets	7,203	7,833

	HK\$	HK\$
Net asset value per share	14.9	16.2

Total assets of the Group decreased to HK\$16.9 billion at 30 June 2015, from HK\$18.5 billion at 31 December 2014. The decrease in both net assets of the Group and net asset value per share was attributable to the loss incurred during the current period.

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

	30 June 2015		31 December 2014	
	HK\$ million	%	HK\$ million	%
Property	11,401	67	12,575	68
Cement	3,162	19	3,523	19
Construction	1,679	10	1,689	9
Others	654	4	733	4
<b>TOTAL</b>	<b>16,896</b>	<b>100</b>	<b>18,520</b>	<b>100</b>

The proportion of total assets of each business segment remained relatively stable at 30 June 2015, when compared with that at 31 December 2014. As the Group continues with its monetisation plan to dispose of its property assets during the period, the total value of property assets decreased by HK\$1.2 billion, and the sales proceeds were largely applied towards repayment of the Group's bank borrowings and settlement of other liabilities.

## Equity, Financing and Gearing

The shareholders' equity of the Company was HK\$7,203 million on 30 June 2015, compared with HK\$7,833 million on 31 December 2014. The decline was attributable to the loss for the period as mentioned above.

Net bank and other borrowings of the Group, which represented bank and other borrowings, net of bank balances, deposits and cash, amounted to HK\$3,895 million on 30 June 2015. This 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:

	30 June 2015	31 December 2014
	HK\$ million	HK\$ million
Bank and other borrowings repayable:		
Within one year	4,657	6,268
After one year but within two years	688	140
After two years but within five years	202	232
Total bank and other borrowings	5,547	6,640
Bank balances, deposits and cash	(1,652)	(2,435)
Net bank and other borrowings	3,895	4,205

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, increased slightly to 54.1% at 30 June 2015, from 53.7% at 31 December 2014, mainly as a result of the decrease in shareholders' equity during this period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### 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, the Group expects that the appreciation of Renminbi in the long run will have positive effect on the Group's business performance and financial status. No hedging against Renminbi exchange risk has therefore been arranged. It is the Group's policy not to enter into derivative transactions for speculative purposes.

### Employees

At 30 June 2015, the number of employees in the Group was approximately 1,330 (31 December 2014: 1,240) in Hong Kong and Macau, and 6,900 (31 December 2014: 6,900) 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.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



## TO THE BOARD OF DIRECTORS OF SOCAM DEVELOPMENT LIMITED

*(incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of SOCAM Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 40, which comprises the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 August 2015

# FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2015 HK\$ million (unaudited)	2014 HK\$ million (unaudited)
Turnover			
The Company and its subsidiaries		2,786	2,765
Share of joint ventures/associates		1,660	2,123
		4,446	4,888
<b>Group turnover</b>	3	<b>2,786</b>	2,765
Other income and gains		80	80
Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold		(12)	(180)
Raw materials and consumables used		(219)	(386)
Staff costs		(336)	(332)
Depreciation and amortisation expenses		(7)	(8)
Subcontracting, external labour costs and other expenses		(2,265)	(1,964)
Fair value changes on investment properties		(5)	1
Dividend income from available-for-sale investments		1	1
Finance costs	4	(173)	(186)
Loss on disposal of a subsidiary		–	(20)
Loss on disposal of interests in joint ventures		–	(7)
Share of results of joint ventures		(412)	(251)
Share of results of associates		(38)	(65)
Loss before taxation		(600)	(552)
Taxation	5	(24)	(14)
<b>Loss for the period</b>	6	<b>(624)</b>	(566)
Attributable to:			
Owners of the Company		(629)	(573)
Non-controlling interests		5	7
		(624)	(566)
Loss per share	8		
Basic		HK\$(1.30)	HK\$(1.18)
Diluted		HK\$(1.30)	HK\$(1.18)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2015 HK\$ million (unaudited)	2014 HK\$ million (unaudited)
<b>Loss for the period</b>	<b>(624)</b>	(566)
<b>Other comprehensive income (expense)</b>		
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Fair value changes of available-for-sale investments	11	(15)
Exchange differences arising on translation of financial statements of foreign operations	2	(72)
Share of exchange differences of joint ventures	–	(35)
Share of exchange differences of associates	–	(4)
Reclassification adjustments for amounts transferred to profit or loss:		
– upon disposal of a subsidiary	–	(7)
– upon deregistration of a joint venture	(13)	–
– upon disposal of property inventories, net of deferred tax of nil (2014: HK\$2 million)	(1)	(3)
Other comprehensive expense for the period	(1)	(136)
<b>Total comprehensive expense for the period</b>	<b>(625)</b>	(702)
Total comprehensive (expense) income attributable to:		
Owners of the Company	(630)	(709)
Non-controlling interests	5	7
	<b>(625)</b>	(702)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2015 HK\$ million (unaudited)	31 December 2014 HK\$ million (audited)
<b>Non-current Assets</b>			
Investment properties		2,068	2,087
Property, plant and equipment		33	40
Interests in joint ventures		3,049	3,217
Available-for-sale investments	9	66	55
Interests in associates		255	311
Club memberships		1	1
Trade debtors	10	13	25
Amounts due from joint ventures		1,860	2,725
Amounts due from associates		1,012	854
		<b>8,357</b>	9,315
<b>Current Assets</b>			
Inventories		1	1
Properties held for sale		450	554
Properties under development for sale		822	820
Debtors, deposits and prepayments	10	1,722	1,632
Amounts due from customers for contract work		431	295
Amounts due from joint ventures		1,530	1,122
Amounts due from associates		631	555
Amounts due from related companies		18	15
Taxation recoverable		84	92
Restricted bank deposits		515	516
Bank balances, deposits and cash		1,137	1,919
		<b>7,341</b>	7,521
Assets classified as held for disposal	11	1,198	1,684
		<b>8,539</b>	9,205



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2015 HK\$ million (unaudited)	31 December 2014 HK\$ million (audited)
<b>Current Liabilities</b>			
Creditors and accrued charges	12	1,718	1,830
Sales deposits received		443	466
Amounts due to customers for contract work		341	294
Amounts due to joint ventures		266	376
Amounts due to associates		2	2
Amounts due to related companies		687	287
Amounts due to non-controlling shareholders of subsidiaries		10	3
Taxation payable		185	192
Bank and other borrowings due within one year	13	4,657	6,268
		<b>8,309</b>	9,718
<b>Net Current Assets (Liabilities)</b>		<b>230</b>	(513)
<b>Total Assets Less Current Liabilities</b>		<b>8,587</b>	8,802
<b>Capital and Reserves</b>			
Share capital	14	484	484
Reserves		6,719	7,349
Equity attributable to owners of the Company		<b>7,203</b>	7,833
Non-controlling interests		30	37
		<b>7,233</b>	7,870
<b>Non-current Liabilities</b>			
Bank and other borrowings	13	890	372
Defined benefit liabilities		140	140
Deferred tax liabilities		324	420
		<b>1,354</b>	932
		<b>8,587</b>	8,802

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	–	–	–	–	–	–	–	–	–	11	–	11	–	11
Exchange differences arising on translation of financial statements of foreign operations	–	–	2	–	–	–	–	–	–	–	–	2	–	2
Deregistration of a joint venture	–	–	(13)	–	–	–	–	–	–	–	–	(13)	–	(13)
Disposal of property inventories	–	–	–	–	–	–	–	–	–	–	(1)	(1)	–	(1)
Loss for the period	–	–	–	–	–	(629)	–	–	–	–	–	(629)	5	(624)
Total comprehensive (expense) income for the period	–	–	(11)	–	–	(629)	–	–	–	11	(1)	(630)	5	(625)
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	–	–	–	–	–	21	–	(21)	–	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(21)	(21)
At 30 June 2015	484	3,172	1,486	197	(3)	1,455	–	56	(65)	11	410	7,203	30	7,233

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	–	–	–	–	–	–	–	–	–	(15)	–	(15)	–	(15)
Exchange differences arising on translation of financial statements of foreign operations	–	–	(72)	–	–	–	–	–	–	–	–	(72)	–	(72)
Share of exchange differences of joint ventures	–	–	(35)	–	–	–	–	–	–	–	–	(35)	–	(35)
Share of exchange differences of associates	–	–	(4)	–	–	–	–	–	–	–	–	(4)	–	(4)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(7)	(7)	–	(7)
Disposal of property inventories	–	–	–	–	–	–	–	–	–	–	(3)	(3)	–	(3)
Loss for the period	–	–	–	–	–	(573)	–	–	–	–	–	(573)	7	(566)
Total comprehensive (expense) income for the period	–	–	(111)	–	–	(573)	–	–	–	(15)	(10)	(709)	7	(702)
Issue of shares upon exercise of share options	–	3	–	–	–	–	–	–	–	–	–	3	–	3
Recognition of share-based payments	–	–	–	–	–	–	–	6	–	–	–	6	–	6
Transfer upon exercise/lapse of share options	–	1	–	–	–	4	–	(5)	–	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(19)	(19)
At 30 June 2014	484	3,172	1,475	197	(3)	2,849	12	75	(27)	(12)	402	8,624	55	8,679

### 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 HK\$102 million (2014: HK\$102 million), which represents the Group's share of compensation recognised by Lafarge Shui On Cement Limited in the form of donation in respect of losses in the earthquake in Sichuan during the year ended 31 December 2008; (iii) an amount of HK\$20 million (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\$21 million (2014: HK\$23 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.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2015 HK\$ million (unaudited)	2014 HK\$ million (unaudited)
<b>Net cash used in operating activities</b>		
Operating cash flows before movements in working capital	(12)	(99)
Decrease in properties held for sale	104	143
(Decrease) increase in sales deposits received in respect of properties for sale	(19)	317
Decrease in other bank balances	–	150
Movements in other working capital	(67)	(370)
Tax paid	(120)	(145)
	<b>(114)</b>	<b>(4)</b>
<b>Net cash from investing activities</b>		
Advances to joint ventures	(94)	(882)
Advances to associates	(205)	–
Payment for construction of investment properties	(5)	(24)
Net proceeds from disposal of a subsidiary classified as held for disposal (note b)	–	1,344
Net proceeds from disposal of a joint venture	–	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	501	181
Restricted bank deposits refunded	1	690
Restricted bank deposits placed	–	(102)
Other investing cash flows	18	182
	<b>216</b>	<b>1,488</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2015 HK\$ million (unaudited)	2014 HK\$ million (unaudited)
<b>Net cash used in financing activities</b>		
New bank and other loans raised	828	2,422
Repayment of bank loans	(1,921)	(3,567)
Loan from related companies	400	60
Interest paid	(143)	(154)
Other financing cash flows	(47)	(270)
	(883)	(1,509)
<b>Net decrease in cash and cash equivalents</b>	<b>(781)</b>	<b>(25)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,919</b>	<b>2,606</b>
<b>Effect of foreign exchange rate changes</b>	<b>(1)</b>	<b>(19)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,137</b>	<b>2,562</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances, deposits and cash	1,137	2,562

Notes:

- (a) During the six months ended 30 June 2015, the Group acquired a further 10% interest in a joint venture property project in Shanghai ("Shanghai C21"), in which the Group had a 70% interest. The total consideration of the acquisition of approximately RMB150 million (approximately HK\$190 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\$49 million); and (iii) two apartment units and three car parking spaces in Shanghai C21, amounting to approximately RMB101 million (approximately HK\$128 million). 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 six months ended 30 June 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 subsidiary, rather than operating activities.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values. The fair value of the Group's investment properties at 30 June 2015 and 31 December 2014 has been arrived at on the basis of valuations carried out on those dates by an independent qualified professional valuer.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014. Joint ventures and associates of the Group adopt uniform accounting policies for like transactions and events in similar circumstances as those of the Group. In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are mandatorily effective for the Group's financial period beginning on 1 January 2015. The application of these amendments to HKFRSs has had no material effect on the amounts and disclosures set out in the condensed consolidated financial statements for the current interim period.

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

## 3. SEGMENT INFORMATION

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

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

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

1. Property – property development for sale and investment and provision of property asset management services (notes a and b)
2. Construction and building maintenance – construction, interior fit-out, renovation and maintenance of building premises
3. Cement operations (note c)
4. Other businesses – venture capital investment and others

Notes:

- (a) During the six months ended 30 June 2015, the Group disposed of 65% interest in a property project in Beijing through disposal of the interest in a subsidiary held by one of the Group's joint ventures. The Group's share of loss is included in the Group's share of results of joint ventures. Details of the transaction are set out in an announcement of the Company dated 5 January 2015.
- (b) On 24 April 2015, a conditional sale and purchase agreement was entered into to dispose of the Group's 80% interest in a property project in Shanghai through disposal of the interests in subsidiaries held by one of the Group's joint ventures. The disposal was completed in July 2015. 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.
- (c) On 3 March 2015, the Group entered into a conditional sale and purchase agreement to dispose of the Group's 45% interest in Lafarge Shui On Cement Limited ("LSOC"). Subsequent to the end of the reporting period, the substantive conditions set out in the agreement have been satisfied, and the disposal was completed, with the sales proceeds received, in August 2015. The Directors of the Company expect that a gain will arise at the time when completion of the disposal takes place, which is mainly resulted from the reclassification of the cumulative exchange difference on translation of a foreign operation to profit or loss. 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.

### 3. SEGMENT INFORMATION (CONTINUED)

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

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

**For the six months ended 30 June 2015**

	Property HK\$ million	Construction and building maintenance HK\$ million	Cement operations HK\$ million	Other businesses HK\$ million	Total HK\$ million
<b>REVENUE</b>					
Sales of goods	137	–	–	3	140
Rental income	18	–	–	–	18
Revenue from rendering of services	30	–	–	1	31
Construction contract revenue	–	2,597	–	–	2,597
Revenue from external customers	185	2,597	–	4	2,786
Inter-segment revenue	–	–	–	–	–
Share of joint ventures/associates' revenue	185	2,597	–	4	2,786
<b>Total segment revenue</b>	<b>453</b>	<b>2,599</b>	<b>1,362</b>	<b>32</b>	<b>4,446</b>
Inter-segment revenue is charged at mutually agreed prices.					
<b>Reportable segment results</b>	<b>(180)</b>	<b>62</b>	<b>(272)</b>	<b>(5)</b>	<b>(395)</b>
<b>Segment results have been arrived at after crediting (charging):</b>					
Depreciation and amortisation	(3)	(2)	–	(1)	(6)
Interest income	41	2	–	1	44
Fair value changes on investment properties	(5)	–	–	–	(5)
Dividend income from available-for-sale investments	1	–	–	–	1
Loss on disposal of investment properties classified as held for disposal	(35)	–	–	–	(35)
Share of results of joint ventures					
Property development	(126)	–	–	–	(126)
Cement operations through LSOC	–	–	(276)	–	(276)
Cement operations in Guizhou	–	–	–	2	2
Venture capital investments	–	–	–	(12)	(12)
					(412)
Share of results of associates					
Property development	(38)	–	–	–	(38)

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 3. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended 30 June 2014

	Property HK\$ million	Construction and building maintenance HK\$ million	Cement operations HK\$ million	Other businesses HK\$ million	Total HK\$ million
<b>REVENUE</b>					
Sales of goods	228	1	–	13	242
Rental income	19	–	–	–	19
Revenue from rendering of services	26	9	–	1	36
Construction contract revenue	–	2,468	–	–	2,468
Revenue from external customers	273	2,478	–	14	2,765
Inter-segment revenue	–	13	–	–	13
	273	2,491	–	14	2,778
Share of joint ventures/associates' revenue	378	1	1,708	36	2,123
Total segment revenue	651	2,492	1,708	50	4,901
Inter-segment revenue is charged at mutually agreed prices.					
<b>Reportable segment results</b>	(240)	47	(132)	(16)	(341)
<b>Segment results have been arrived at after crediting (charging):</b>					
Depreciation and amortisation	(4)	(2)	–	(1)	(7)
Interest income	45	2	3	–	50
Fair value changes on investment properties	1	–	–	–	1
Dividend income from available-for-sale investments	1	–	–	–	1
Loss on disposal of investment properties classified as held for disposal	(32)	–	–	–	(32)
Loss on disposal of interests in joint ventures	(7)	–	–	–	(7)
Loss on disposal of a subsidiary	(20)	–	–	–	(20)
Share of results of joint ventures					
Property development	(102)	–	–	–	(102)
Cement operations through LSOC	–	–	(139)	–	(139)
Cement operations in Guizhou	–	–	–	2	2
Venture capital investments	–	–	–	(12)	(12)
					(251)
Share of results of associates					
Property development	(65)	–	–	–	(65)



### 3. 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 30 June 2015

	Property HK\$ million	Construction and building maintenance HK\$ million	Cement operations HK\$ million	Other businesses HK\$ million	Total HK\$ million
Reportable segment assets	11,762	2,016	2,905	1,492	18,175
Reportable segment liabilities	2,006	1,758	–	1,561	5,325

At 31 December 2014

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

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

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
<b>Revenue</b>		
Reportable segment revenue	4,446	4,901
Elimination of inter-segment revenue	–	(13)
Elimination of share of revenue of joint ventures/associates	(1,660)	(2,123)
Consolidated turnover	2,786	2,765

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 3. SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
<b>Loss before taxation</b>		
Reportable segment loss before taxation	(395)	(341)
Unallocated other income	2	3
Finance costs	(173)	(186)
Other unallocated corporate expenses	(34)	(28)
Consolidated loss before taxation	(600)	(552)
	30 June 2015 HK\$ million	31 December 2014 HK\$ million
<b>Assets</b>		
Reportable segment assets	18,175	19,686
Elimination of inter-segment receivables	(1,363)	(1,258)
Other unallocated assets	84	92
Consolidated total assets	16,896	18,520
	30 June 2015 HK\$ million	31 December 2014 HK\$ million
<b>Liabilities</b>		
Reportable segment liabilities	5,325	5,222
Elimination of inter-segment payables	(1,363)	(1,258)
Unallocated liabilities		
– Bank and other borrowings	5,052	5,934
– Taxation and others	649	752
Consolidated total liabilities	9,663	10,650

## 4. FINANCE COSTS

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Interest on bank loans and overdrafts and other loans	142	154
Other borrowing costs	31	32
	173	186

## 5. TAXATION

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	12	6
PRC Enterprise Income Tax	39	44
PRC Land Appreciation Tax	69	52
	120	102
Deferred taxation	(96)	(88)
	24	14

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

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

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.

## 6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Loss for the period has been arrived at after charging (crediting):		
Depreciation and amortisation:		
Property, plant and equipment	7	8
Cost of properties sold	103	198
Loss on disposal of partial interest in a joint venture	–	34
Gain on disposal of entire interest in a joint venture	–	(27)
Share of tax of joint ventures (included in share of results of joint ventures)	(1)	58
Share of tax of associates (included in share of results of associates)	(5)	(9)

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 7. DIVIDENDS

The Board does not recommend the payment of an interim dividend (2014: Nil) for the six months ended 30 June 2015.

## 8. LOSS PER SHARE

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

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Loss for the period attributable to owners of the Company: Loss for the purposes of basic and diluted loss per share	<b>(629)</b>	(573)
Number of shares:	<b>Million</b>	Million
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>484</b>	484
Effect of dilutive potential ordinary shares: Share options	–	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	<b>484</b>	484

The computation of the diluted loss per share for the six months ended 30 June 2015 and 30 June 2014 does not assume the exercise of the Company's share options, because this would result in a decrease in loss per share.

## 9. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2015 HK\$ million	31 December 2014 HK\$ million
Available-for-sale investments comprise: Listed equity securities in Hong Kong	<b>66</b>	55

Available-for-sale investments at 30 June 2015 and 31 December 2014 represent the Group's equity interest in Shui On Land Limited ("SOL"). At 30 June 2015, the Group held a 0.4% (31 December 2014: 0.4%) equity interest in SOL.

## 10. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

	30 June 2015 HK\$ million	31 December 2014 HK\$ million
Trade debtors aged analysis (note a):		
Not yet due or within 90 days	535	625
91 days to 180 days	3	7
181 days to 360 days	4	4
Over 360 days	10	8
Retention receivable	552	644
Prepayments, deposits and other receivables (note b)	218	197
	965	816
	1,735	1,657
Less: amount due for settlement after 12 months	(13)	(25)
	1,722	1,632

Notes:

- (a) Included in the trade debtors are receivables of HK\$50 million (31 December 2014: HK\$49 million), which are aged over 180 days, based on the date on which revenue was recognised.
- (b) Included in prepayments, deposits and other receivables at 30 June 2015 are receivables of HK\$419 million (31 December 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\$152 million (31 December 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\$178 million) (31 December 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 17(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, 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.

## 11. ASSETS CLASSIFIED AS HELD FOR DISPOSAL

	30 June 2015 HK\$ million	31 December 2014 HK\$ million
Interest in an associate (note a)	387	387
Investment properties (note b)	811	1,297
<b>Total assets classified as held for disposal</b>	<b>1,198</b>	<b>1,684</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 11. ASSETS CLASSIFIED AS HELD FOR DISPOSAL (CONTINUED)

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 assign 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, exercisable after satisfaction of certain post-completion conditions (the "Conditions"), at a pre-determined price. The Purchaser also has an option exercisable at any time after 18 months following the date of the shareholders' deed to require the Group to sell to the Purchaser all of its shares in and the shareholder's loan owing to the Group by the Subsidiary at the same exercise price. Based on the present assessment, the Directors of the Company are confident that the Conditions would be fulfilled within twelve months from the end of the reporting period and it is highly probable that the Group will exercise the option to require the Purchaser to acquire the 20% interest immediately upon fulfillment of the Conditions. Accordingly, the 20% interest was classified as assets classified as held for disposal in the Group's condensed consolidated statement of financial position at 30 June 2015.
- (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. Since the sale plan initiated in December 2013, around 92% of these investment properties have been sold and the disposal of the remaining units is expected to be completed within one year from the end of the reporting period. Therefore, these investment properties were reclassified as assets classified as held for disposal in the Group's condensed consolidated statement of financial position at 30 June 2015.

## 12. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors (based on invoice date) of HK\$430 million (31 December 2014: HK\$524 million), which are included in the Group's creditors and accrued charges, is as follows:

	30 June 2015 HK\$ million	31 December 2014 HK\$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	313	385
31 days to 90 days	15	21
91 days to 180 days	9	14
Over 180 days	93	104
	430	524
Retention payable	318	303
Provision for contract work/construction cost	725	689
Other accruals and payables	245	314
	1,718	1,830

## 13. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2015, the Group raised new bank borrowings totalling HK\$828 million (2014: HK\$2,422 million), repaid bank borrowings totalling HK\$1,921 million (2014: HK\$3,249 million), and renewed/refinanced existing banking facilities totalling HK\$1,174 million. New and renewed bank loan facilities of the Group carry interest at approximately 4.24% to 7.09% per annum.

At 30 June 2015, the Group had bank and other borrowings of HK\$5,547 million, of which HK\$432 million were in breach of certain financial covenants as stipulated in the relevant bank loan agreements. Subsequent to the end of the reporting period, the Group has repaid the HK\$200 million loan which was in breach of financial covenants at 30 June 2015. In addition, the Group is in the process of applying for waiver from the lender of the HK\$232 million loan in relation to the financial covenants concerned.

## 14. SHARE CAPITAL

	30 June 2015 Number of shares	31 December 2014 Number of shares	30 June 2015 HK\$ million	31 December 2014 HK\$ million
Ordinary shares of HK\$1 each:				
<b>Authorised</b>				
At the beginning and the end of the period/year	<b>1,000,000,000</b>	1,000,000,000	<b>1,000</b>	1,000
<b>Issued and fully paid</b>				
At the beginning of the period/year	<b>484,410,164</b>	483,992,111	<b>484</b>	484
Exercise of share options	–	418,053	–	–
At the end of the period/year	<b>484,410,164</b>	484,410,164	<b>484</b>	484

## 15. CAPITAL COMMITMENTS

- (a) At 30 June 2015, the Group had no significant capital commitments (31 December 2014: Nil).
- (b) At 30 June 2015, the Group's share of the capital commitments of its joint ventures mainly in relation to property, plant and equipment is as follows:

	30 June 2015 HK\$ million	31 December 2014 HK\$ million
Authorised but not contracted for	–	–
Contracted but not provided for	<b>96</b>	95

## 16. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible participants. Movement of the share options outstanding during the current period are as follows:

	Number of shares subject to options
Outstanding at 1 January 2015	<b>28,614,000</b>
Exercised during the period	–
Lapsed during the period	<b>(9,140,000)</b>
Outstanding at 30 June 2015	<b>19,474,000</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 17. CONTINGENT LIABILITIES

At 30 June 2015, the Group had the following contingent liabilities, which have not been provided for in the condensed consolidated financial statements:

- (a) Standby documentary credit arranged with a bank to secure a bank loan of RMB110 million (HK\$139 million) (31 December 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\$704 million (31 December 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\$126 million) (31 December 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 10 for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee to October 2015, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK\$687 million) at 30 June 2015 (31 December 2014: RMB542 million (HK\$687 million)) and the related interest is secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition after taking into consideration the possibility of the default of the parties involved. Accordingly, no value has been recognised in the condensed consolidated statement of financial position.

## 18. MATERIAL RELATED PARTY TRANSACTIONS

- (a) During the period, the Group had the following transactions with SOCL and its subsidiaries other than those of the Group.

Nature of transactions	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
SOCL and its subsidiaries		
Construction work income	–	290
Dividend income	1	1
Interest expenses	1	–
Rental expenses	1	1



## 18. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) During the period, the Group had the following transactions with joint ventures.

Nature of transactions	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Interest income	20	28
Imputed interest income	5	4
Management fee income	34	34
Construction/subcontracting work income	–	146
Revenue from sales of goods	–	1
Subcontracting work expenses	3	–

- (c) During the period, the Group had the following transactions with associates.

Nature of transactions	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Management fee income	–	5
Imputed interest income	11	11
Interest income	18	15
Construction/subcontracting work income	–	44

- (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 period, the Group received dividend income amounting to HK\$237 million (2014: nil) from a joint venture.
- (f) During the period, the Group was granted 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.
- (g) During the period ended 30 June 2014, the Group was granted unsecured non-interest bearing short-term loan of HK\$60 million and repaid unsecured non-interest bearing short-term loans of HK\$260 million from a wholly-owned subsidiary of SOCL.
- (h) Disclosures of the remuneration of Directors and other members of key management during the period under HKAS 24 “Related Party Disclosures”, were as follows:

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Fees	1	1
Salaries and other benefits	14	13
Bonuses	5	4
Retirement benefit scheme contributions	1	2
Share-based payments	2	(3)
	23	17

Note:

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 regard to market trends.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 18. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

- (i) The emoluments paid or payable to each of the eight (2014: nine) Directors which were included in note (h) above are set out as follows:

Name of Director	Notes	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Share Based Payments HK\$'000	Six months ended 30 June	
							2015 Total HK\$'000	2014 Total HK\$'000
Mr. Lo Hong Sui, Vincent		5	-	-	-	-	5	5
Mr. Choi Yuk Keung, Lawrence	(i)	5	2,457	-	338	26	2,826	1,483
Mr. Wong Fook Lam, Raymond	(i)	5	2,299	-	110	26	2,440	1,304
Mr. Tsang Kwok Tai, Moses	(ii)	158	-	-	-	-	158	205
Mr. Gerrit Jan de Nys	(iii)	225	-	-	-	-	225	210
Ms. Li Hoi Lun, Helen	(iii)	228	-	-	-	-	228	213
Mr. Chan Kay Cheung	(iii)	298	-	-	-	-	298	280
Mr. Wong Kun To, Philip	(i) & (iv)	103	-	-	-	-	103	(1,879)
Mr. Wong Yuet Leung, Frankie	(v)	-	-	-	-	-	-	210
		1,027	4,756	-	448	52	6,283	2,031

Notes:

- (i) The amount for the six months ended 30 June 2014 included credit adjustments made in relation to the cancellation of certain share options during that period.
- (ii) Non-executive Director.
- (iii) Independent Non-executive Directors.
- (iv) Mr. Wong Kun To, Philip retired as a Non-executive Director at the annual general meeting of the Company held on 29 May 2015.
- (v) 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.

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

At 30 June 2015, the only financial instrument of the Group that was measured subsequent to initial recognition at fair value was available-for-sale investments, of which the fair value was derived from unadjusted quoted prices available on the Hong Kong Stock Exchange (active market).

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 financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

# DISCLOSURE UNDER RULES 13.22 OF THE LISTING RULES

## FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

Financial assistance and guarantees provided by the Group to its affiliated companies amounted to HK\$5,943 million at 30 June 2015, details of which are as follows:

Affiliated companies	Approximate effective percentage of interest	Balance at 30 June 2015			
		Unsecured loans		Guarantee HK\$ million	Total HK\$ million
		Interest free with no fixed repayment terms HK\$ million	Interest bearing with no fixed repayment terms HK\$ million (Note a)		
Cosy Rich Limited	50%	412	–	200	612
Gracious Spring Limited	81%	–	1,887	418	2,305
Lamma Yue Jie Company Limited	60%	17	–	–	17
Lead Wealthy Investments Limited	80%	–	854	–	854
Nanjing Jiangnan Cement Co., Ltd.	60%	150	–	–	150
Richcoast Group Limited	28%	507	869	351	1,727
Win Lead Holdings Limited	50%	278	–	–	278
		<b>1,364</b>	<b>3,610</b>	<b>969</b>	<b>5,943</b>

The pro forma combined statement of financial position of the above affiliated companies at 30 June 2015 is as follows:

	HK\$ million
Non-current assets	12,491
Current assets	14,126
Current liabilities	(11,540)
Net current assets	2,586
Non-current liabilities	(13,833)
Non-controlling interests	(851)
Shareholders' funds	393

Notes:

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

Affiliated companies	Interest rate per annum
Gracious Spring Limited	Fixed at 13%
Lead Wealthy Investments Limited	HIBOR + 3.5%
Richcoast Group Limited	Fixed at 5% to 6.6%

(b) All affiliated companies are accounted for as joint ventures or associates of the Group.

# GENERAL INFORMATION

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

At 30 June 2015, the interests of the Directors and chief executives of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (1) Long positions in the shares of the Company

Name of Director	Number of shares			Approximate percentage of issued shares (Note 1)	
	Personal interests	Family interests	Other interests		
Mr. Lo Hong Sui, Vincent	–	312,000 (Note 2)	234,381,000 (Note 3)	234,693,000	48.44%
Mr. Choi Yuk Keung, Lawrence	540,000	–	–	540,000	0.11%
Mr. Wong Fook Lam, Raymond	32,000	–	–	32,000	0.00%

Notes:

1. Based on 484,410,164 shares of the Company in issue at 30 June 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, 220,148,000 shares were held by SOCL itself and 14,233,000 shares were held by Shui On Finance Company Limited, an indirect wholly-owned subsidiary of SOCL. SOCL was owned by the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was one of the discretionary beneficiaries and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.

### (2) 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 share options are set out under the section headed "SHARE OPTIONS — Movements in the share options" below.

Save as disclosed above, at 30 June 2015, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTIONS

The Company adopted a share option scheme on 22 August 2012 (the “Existing Scheme”), 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 has expired on 30 August 2012. Since then, no further option can be granted under the Old Scheme, but all options granted previously remain exercisable in accordance with the terms of the Old Scheme and the relevant letters of offers to the respective grantees. A summary of each of the Old Scheme and the Existing Scheme is set out below.

### The Old Scheme

#### Purpose

To grant share incentives for recognising and acknowledging the contributions which eligible participants had made or might make to the Group

#### Eligible participants

Any of the following persons whose eligibility was determined by the Board of Directors of the Company (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

#### Total number of shares available for issue

11,754,000 shares, representing approximately 2.43% of the issued shares of the Company as of 30 June 2015

#### 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

#### 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

#### 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

#### 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

#### 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

# GENERAL INFORMATION

## The Existing Scheme

### Purpose

To grant share incentives for recognising, acknowledging and promoting the contributions which eligible participants have made or may make to the Group

### 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

### Total number of shares available for issue

48,402,842 shares, representing approximately 9.99% of the issued shares of the Company as of 30 June 2015

### 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

### 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

### 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

### 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

### 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

## Movements in the share options

The movements in the share options of the Company during the six months ended 30 June 2015 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 30.06.2015	Period during which options outstanding are exercisable
			At 1.1.2015	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period		
<b>Directors</b>									
Mr. Choi Yuk Keung, Lawrence (Note 1)	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 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			2,730,000	-	-	(450,000)	-	2,280,000	
<b>Former Director</b>									
Mr. Wong Kun To, Philip (Notes 1 and 2)	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			1,800,000	-	-	(350,000)	-	1,450,000	
<b>Employees</b>									
(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	-	-	(130,000)	-	3,410,000	13.11.2011 to 12.5.2016
	23.6.2011	10.90	780,000	-	-	-	-	780,000	23.12.2011 to 22.6.2016
	28.7.2011	10.00	8,000,000	-	-	(4,166,000)	-	3,834,000	1.5.2015 to 27.7.2021
	26.11.2012	8.18	3,614,000	-	-	(144,000)	-	3,470,000	26.5.2013 to 25.11.2017
	14.6.2013	9.93	4,420,000	-	-	(170,000)	-	4,250,000	14.12.2013 to 13.6.2018
Sub-total			24,084,000	-	-	(8,340,000)	-	15,744,000	
Total			28,614,000	-	-	(9,140,000)	-	19,474,000	

### Notes:

- Mr. Choi Yuk Keung, Lawrence, Mr. Wong Fook Lam, Raymond and Mr. Wong Kun To, Philip were previously granted share options in excess of their respective maximum individual entitlement of 1%.
- The share options granted to Mr. Wong Kun To, Philip, being an employee of an invested entity of the Group, remain exercisable following his retirement as a Director of the Company at its annual general meeting held on 29 May 2015.
- 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.

# GENERAL INFORMATION

## INTERESTS OF SUBSTANTIAL SHAREHOLDER AND OTHER PERSONS

At 30 June 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	101,700,374 (L) (Note 2)	20.99%

### (2) Other persons

Name of shareholder	Capacity	Number of shares/ underlying shares	Approximate percentage of issued shares (Note 1)
PAF II Ltd. ("PAF")	Beneficial owner	24,401,973 (L) (Note 3)	5.03%
Credit Suisse Group AG ("Credit Suisse")	Interests of controlled corporations (Note 4)	56,618,434 (L) (Note 5)	11.68%
		56,507,150 (S) (Note 6)	11.66%

Notes:

1. Based on 484,410,164 shares of the Company in issue at 30 June 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. It included PAF's interests in 767,000 underlying shares of the Company, representing approximately 0.15% of the issued shares of the Company, pursuant to certain unlisted cash settled derivatives.
4. All interests of Credit Suisse were held through its indirect wholly-owned subsidiaries.
5. It included Credit Suisse's interests in (i) 46,000 underlying shares of the Company, representing approximately 0.00% of the issued shares of the Company, pursuant to certain unlisted cash settled derivatives; and (ii) 46,764,000 shares of the Company, representing approximately 9.65% 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").
6. It included Credit Suisse's interests in (i) 9,743,150 underlying shares of the Company, representing approximately 2.01% of the issued shares of the Company, pursuant to certain unlisted cash settled derivatives; and (ii) 46,764,000 shares of the Company, representing approximately 9.65% of the issued shares of the Company, subject to the rehypothecation arrangement as mentioned in Note 5 above pursuant to which the Credit Suisse's Subsidiary was under an obligation to return these shares to the Clients.
7. 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 Executives", at 30 June 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 LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.



## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance through its continuous effort in improving its corporate governance practices.

### The Board

The Board currently comprises seven members, including three Executive Directors and four Non-executive Directors, three of whom are Independent Non-executive Directors. Six standing Board Committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Finance Committee, the Investment Committee and the Executive Committee, have been set up to oversee particular aspects of the Group's affairs. The member lists of the Board and its various Committees are set out in the Corporate Information section of this Interim Report.

### Audit Committee

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2015, including the accounting principles and practices adopted by the Group. It has also considered selected accounting, internal control and financial reporting matters of the Group, in conjunction with the Company's external auditor.

### Remuneration Committee

During the six months ended 30 June 2015, the Remuneration Committee has reviewed the remuneration packages of the Managing Directors of the Company. The Remuneration Committee has also considered and approved the vesting recommendation on the share options granted in 2011 to certain selected key executives pursuant to a long-term incentive plan of the Company.

### Nomination Committee

During the six months ended 30 June 2015, the Nomination Committee has reviewed the structure, size and composition of the Board with reference to the measurable objectives set under the Board Diversity Policy. The Nomination Committee has also reviewed the time commitment required of the Directors.

### Finance Committee

During the six months ended 30 June 2015, the Finance Committee has discussed financial strategies and reviewed compliance of the finance policy and bank loan covenants, the overall banking relationship, the asset disposals, the cash flow forecast and funding requirements of the Group.

### Investment Committee

The Investment Committee has assessed the disposal recommendation on a property project of the Group during the six months ended 30 June 2015.

### Executive Committee

The Executive Committee has reviewed, on a monthly basis, the operating performance and financial position of the Group and its strategic business units as well as the execution of the strategies and business plans approved by the Board.

## Compliance with the Corporate Governance Code

Throughout the six months ended 30 June 2015, the Company complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules, except for the deviations explained below.

## GENERAL INFORMATION

Code provision B.1.2 of the CG Code provides that the terms of reference of the Remuneration Committee should include, among others, 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 also 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.

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, 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.

### Compliance with the Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

## CHANGES IN INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of a Director of the Company since publication of its 2014 Annual Report are set out as follows:

Name of Director	Details of changes
Mr. Lo Hong Sui, Vincent	<ul style="list-style-type: none"><li>• Ceased to act as the Chairman of the Airport Authority Hong Kong with effect from 1 June 2015</li><li>• Appointed as the Chairman of the Hong Kong Trade Development Council with effect from 1 June 2015</li><li>• Resigned as a non-official member of the Lantau Development Advisory Committee of the Development Bureau of Hong Kong with effect from 7 July 2015</li></ul>

Details about the emoluments of all the Directors of the Company for the six months ended 30 June 2015 are set out in note 18 to the condensed consolidated financial statements.

# CORPORATE INFORMATION

## BOARD

### Executive Directors

Mr. Lo Hong Sui, Vincent (Chairman)  
Mr. Choi Yuk Keung, Lawrence  
(Vice Chairman and Managing Director)  
Mr. Wong Fook Lam, Raymond  
(Managing Director and Chief Financial Officer)

### Non-executive Director

Mr. Tsang Kwok Tai, Moses

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## FINANCE COMMITTEE

Mr. Gerrit Jan de Nys (Chairman)  
Mr. Wong Fook Lam, Raymond  
Mr. Tsang Kwok Tai, Moses  
Mr. Chan Kay Cheung

## INVESTMENT COMMITTEE

Mr. Choi Yuk Keung, Lawrence (Chairman)  
Mr. Wong Fook Lam, Raymond  
Ms. Li Hoi Lun, Helen  
Mr. Chan Kay Cheung

## EXECUTIVE COMMITTEE

Mr. Choi Yuk Keung, Lawrence (Chairman)  
Mr. Lo Hong Sui, Vincent  
Mr. Wong Fook Lam, Raymond  
Other key executives

## COMPANY SECRETARY

Ms. Ng Lai Tan, Melanie

## AUDITOR

Deloitte Touche Tohmatsu

## REGISTERED OFFICE

Clarendon House, 2 Church Street  
Hamilton HM 11, Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

34<sup>th</sup> 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](http://www.socam.com)



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[www.socam.com](http://www.socam.com)

