瑞安建業
SOCAM DEVELOPMENT

瑞安建業有限公司*

SOCAM Development Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

INTERIM RESULTS for the six months ended 30 June 2016

FINANCIAL HIGHLIGHTS

		Six months ended 30 June	
		2016	2015
			(re-presented)
Turnover			
Company and subsidiaries	*HK$ million*	**2,463**	2,786
Share of joint ventures and associates	*HK$ million*	**894**	298
Total	*HK$ million*	**3,357**	3,084
Loss attributable to shareholders	*HK$ million*	**(711)**	(629)
Basic loss per share	*HK$*	**(1.47)**	(1.30)

		At 30 June 2016	At 31 December 2015
Total assets	*HK$ billion*	**10.4**	12.3
Net assets	*HK$ billion*	**4.7**	5.5
Net asset value per share	*HK$*	**9.8**	11.4
Net gearing	*%*	**28.6**	21.0

BUSINESS REVIEW

The China property market witnessed a strong start to the year, with robust demand driving residential sales on the back of a rapid expansion in credit and successive interest rates cut, amidst tough market conditions.

World economic growth remains subdued as major macroeconomic realignments took place in most countries and regions. These include the structural economic rebalancing in the Chinese Mainland, lower commodity prices, and a slowdown in investment and trade. Interest rates worldwide remain at unprecedented lows. The decision of the United Kingdom to leave the European Union further added uncertainty to the economic outlook worldwide. In June the World Bank adjusted its global growth forecast for 2016 downward from 2.9% to 2.4%.

China's economic performance in the first half of the year has been satisfactory with the GDP growth figure aligning with expectation, indicating a steadiness in overall conditions carrying through from the latter part of last year.

However, property investment and sales in China somewhat lost momentum in June. The Central Government has adopted a "two-tier" policy approach to curb the property price surge in first-tier cities, but on the other hand, continues to boost home sales in lower-tier cities. For retail properties, the average vacancy rate across major cities in China is still increasing, and the average rent is edging down. Prospects for an early revival look limited by the number of new projects in the pipeline and the robust growth of online shopping.

Hong Kong's economy continues to contract, hit by sluggish domestic demand and decline in tourist arrivals and retail sales, with real GDP growth in the HKSAR falling to a forecast of 1-2% in 2016. The lack of affordable housing continues to pose challenges, such that the HKSAR government has pledged to provide about 97,100 public housing units over the next five years, which is higher than similar forecasts over the last two years. As tendering opportunities continue to rise in public housing construction contracts, SOCAM's construction arm will seek to be a major participant for the benefits of both the community and our shareholders. Nevertheless, the shortage of skilled labour continues to be an industry-wide concern. SOCAM, along with our sub-contractors, continues to provide training and attract local workers to join the industry as the HKSAR government is striving to ensure the sustainable development of the construction industry.

MONETISATION PROGRESS

The Group continued with the monetisation of its property assets in the Mainland. Earlier this year, we made further progress and completed two property project disposals. In January, we sold our remaining 20% interest in Shenyang Project Phase II for approximately HK$364 million and completed the divestment of land parcels located in Zunyi, Guizhou for a total consideration of approximately HK$463 million. From the sales launch last year up to the end of July, a total of 1,846 residential units in Chengdu Centropolitan have been sold, yielding RMB1,460 million revenue, and RMB357 million revenue was generated from the sales of 104 villas at Nanjing Scenic Villa Phase I over the twelve months to July 2016.

Since 2013, SOCAM has reduced its attributable gross floor area (GFA) of property assets in the Chinese Mainland from 2.1 million square metres to 494,500 square metres today, yet our monetisation progress is still facing a competitive market environment. SOCAM's immediate property business focus is to enhance the attractiveness and value of our retail portfolio.

PROPERTY

Since the Group's implementation of the monetisation strategy in 2013, a significant proportion of our property portfolio has been sold, resulting in a substantially improved net borrowing position in our balance sheet. The remaining properties now comprise a larger proportion of commercial properties.

Market Review

Reflecting the China property market as a whole, the commercial sector is a tale of two tiers. In tier 1 cities, the vacancy rate averages some 8%, a relatively healthy state that allows quality, location and price to prevail. However, the rapid pace of development continued to be a significant issue in many tier 2 and 3 cities, leading to less stable market conditions and oversupply.

SOCAM continues to divest its remaining property projects, while looking to upgrade its current retail portfolio to meet market needs. The double digit retail growth and strong consumption power over the years have, however, led to a very rapid rise in shopping mall construction. Retail sales growth in China slowed during the period from an annual average approximately 13% over the past few years to 10.6% year-on-year in June 2016. Within China, shopping mall stock is now moving away from tier 1 cities to tier 2 and 3 cities; in 2008 the latter had only 39% of mall square metres, yet by the end of next year that is expected to rise to 68%.

It is in tier 2 and 3 cities, notably Chengdu, Chongqing, Shenyang and Tianjin, that the Group is remodeling its malls as demand for a quality retail experience is rising. As Chinese consumers travel abroad in greater numbers, their knowledge, sophistication, and expectations have all risen accordingly. It is now necessary to provide an inclusive family experience of entertainment, theme and retail mix to counter the rapid rise of online shopping that currently accounts for 12% of retail spending in China.

Operating Performance

As of 30 June 2016, SOCAM owned seven projects, with a total developable GFA attributable to the Group of approximately 494,500 square metres. These projects command good locations in seven Mainland cities, as summarised below:

Project	Total developable GFA attributable to the Group (*square metres*)	Estimated completion year	SOCAM's interest
Chengdu Centropolitan	246,900*	2016	81%
Chongqing Creative Concepts Center	31,500*	Completed	100%
Guangzhou Parc Oasis	5,500*	Completed	100%
Nanjing Scenic Villa	67,200	2017	50%
Shanghai Lakeville Regency Tower 18	1,300*	Completed	100%
Shenyang Project Phase I	97,900*	Completed	100%
Tianjin Veneto	44,200	2017	45%
Total:	494,500 square metres**		

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

** *Excluding that of the knowledge community project in Dalian*

Current Project Status

Chengdu Centropolitan

The project consists of 11 residential towers, a SOHO tower, an office block, a shopping mall and car parking spaces. By the end of July, 1,846 residential units have been sold at an average price of RMB8,200 per square metre. We aim to dispose of all the remaining 141 residential units in the second half of 2016. In Q2 2016, the city's residential market in the main urban area showed signs of heating up, albeit transaction prices are still very competitive. The Chengdu government issued new supply side reforms in June with clear regulations for reducing and slowing down land supply for real estate development in downtown areas. Housing prices are expected to improve.

Six new retail projects are expected to raise supply in 2016, pushing the total stock of Chengdu retail properties to 4.9 million square metres by the end of the year. With both domestic and international investors remaining cautious towards investment in Chengdu, it requires a vibrant tenancy mix to attract en-bloc purchasers. Our efforts now focus on building retailer tenancy interest with a focus on lifestyle shopping for the middle class. Opening of our mall is targeted in the middle of 2017.

Sales of the SOHO and office blocks as well as car parking spaces will be launched later this year.

Chongqing Creative Concepts Center

With all of the Center's office and residential units sold, the challenge now is to refocus on the shopping mall aspect of the development and raise the occupancy. Current occupancy is at 64%. Chongqing's retail market is expected to be swamped with over 3.3 million square metres of new supply by 2018, increasing by over 50%. Finding a niche for this project is becoming increasingly difficult as developers quickly react to both oversupply and e-commerce alternatives by designing malls to be a multi-faceted family experience. Also, developers are typically sacrificing rental returns for occupancy.

Guangzhou Parc Oasis

Located in the Northern Tianhe District of Guangzhou, all residential and serviced apartment units have been sold, leaving approximately 400 car parking spaces unsold. The Company will continue to push sales of these car parking spaces.

Nanjing Scenic Villa

Average prices of new residential premises in Nanjing rose 3.8% in June 2016, registering a 16th consecutive monthly increase. Nanjing Scenic Villa is a residential project of 134,000 square metres upon completion. It comprises spacious low-rise apartment accommodation with lawns and balconies. Of the 114 units in Phase I, 104 units have been sold, with the second phase becoming available for sale in late July this year which met with good market response. 39 units with total revenue of approximately RMB190 million have been subscribed for over the last weekend of July when the launch of the first batch of 54 units took place.

Shanghai Lakeville Regency Tower 18

This luxury serviced apartment building located in the Xintiandi area has received good response, and all units have been subscribed for or sold as at the end of February 2016.

Shenyang Project Phase I

Shenyang is the hub city of northeast China, and an entertainment and shopping destination for its surrounding cities across Liaoning province. There is a growing population of higher-income earners as the city diversifies economically. The city has strong retail competition as a number of mall developers, including renowned Hong Kong and international property companies, are attracted to this modernising area of China.

Almost all of the apartment units and over 95% of the office space of the project have been sold. The shopping mall, Shenyang Tiandi, of about 62,000 square metres GFA, has a 60% retail occupancy as of June 2016. Our business focus is currently on upgrading the retail attraction to increase rental yield, while new malls will open in the vicinity that will further exert pressure on the market.

Tianjin Veneto

With a high-speed 35-minute rail link to Beijing, Tianjin is a prosperous outer suburb of China's capital with year-on-year GDP growth of 9.2% in Q2 2016. Six high-end shopping mall projects are expected to be launched onto the market during 2016, adding a total retail GFA of 400,000 square metres. Competition among malls is likely to remain intense, but "Veneto" has distinct advantages. The mall, specialising as an outlet shopping centre, is close to Wuqing Station – on the Beijing-Tianjin Line and features attractive Italian style pedestrian streets. With a total GFA of 98,100 square metres, Veneto is scheduled to be completed in 2017. The first phase of 65,500 square metres has commenced operation in stages since January 2015. Customer flow and business turnover are increasing with 68% retail spaces of the first phase leased as at July 2016. A number of renowned global retail brands will be joining in the coming months to enhance customer attractions.

Knowledge Community – Dalian Tiandi

Dalian Tiandi, in which SOCAM has a 22% interest, is a large-scale knowledge community jointly developed by Shui On Land, SOCAM and the Yida Group. As at 30 June 2016, the total developable GFA of the project was approximately 3.3 million square metres, of which approximately 1.7 million squares metres GFA was completed or under construction. The overall occupancy of office spaces stood at 89% while that of IT Tiandi was 53%.

CONSTRUCTION

Following the lead-in-water incident in 2015, Shui On Building Contractors resumed tenders submission to the Housing Authority in November 2015. In the first half of 2016, the Company saw an improved situation on tenders and secured more new contracts, particularly on maintenance, minor works projects and renovation works.

While delays in funding approval have been of growing concern for the sector as a whole, it is uncertain as to whether the logjam is only temporary after the Legislative Council elections in September. Despite the funding delay, the figures for work-on-hand have continued on a positive growth trend. In the first quarter, the total value of construction works performed by main contractors in the public sector – SOCAM's area of specialisation – was up 3% over last year to HK$19.1 billion.

The market for the redesign of interior commercial space in Hong Kong, a key market for Pat Davie, our interior design and fit-out arm, remained strong. Macau's economy, heavily dependent on gaming and hospitality revenues, fell 20.3% last year but is forecast to see a modest recovery for 2016.

Operating Performance

The Company's construction divisions continue to improve on operating efficiency and to enhance core competitiveness. In the first half of the year, the Group's construction business in Hong Kong and Macau saw turnover decrease by 24% to HK$1.96 billion (2015: HK$2.60 billion). As of 30 June 2016, the gross value of contracts on-hand was approximately HK$17.2 billion, and the value of outstanding contracts to be completed was approximately HK$10.1 billion (HK$18.4 billion and HK$9.5 billion respectively as at 31 December 2015). New contracts totalling approximately HK$4.1 billion were secured since the beginning of the year.

In late May 2016, the Commission of Enquiry published its findings into the lead-in-water incident in 11 public housing estates, comprising 29,077 units, last year. Shui On Building Contractors was the main contractor of Kwai Luen Estate Phase 2 comprising 1,507 units, one of the estates impacted by lead trace pollutants, which accounted for 5% of the affected units. The Commission provided 17 recommendations, including establishment of an independent body to overlook the performance of the Water Supplies Department and water quality, the introduction of a water safety plan, and a review of the Housing Authority control mechanism on the construction projects.

With the public enquiry now concluded, the Group has closely reviewed its operating processes and procedures to further improve internal control and operation management.

SOCAM continues to pursue a strong culture in safety and quality. During the period, SOCAM received over 20 awards for Site Management, Site Safety and Building Quality. These include the Considerate Contractor Site Award (Gold), the Best Occupational Safety and Health Employees Award – Frontline Staff Group (Gold) and the Quality Building Award 2016, Non-Residential (Merit).

Shui On Building Contractors (SOBC)

During the period, SOBC completed contracts for Architectural and Building Works for MTR Corporation (MTRC), a Public Rental Housing Development at Ex-Yuen Long Estate and a five-year term contract for the Maintenance, Improvement and Vacant Flat Refurbishment for properties managed by the Property Service Administration Unit of the Housing Authority.

Contracts awarded included Construction of Public Rental Housing Development at Shek Kip Mei Estate Phases 3, 6 and 7 (HK$1.6 billion), Construction of a Home Ownership Scheme at Kai Tak (HK$755 million) and two term contracts for various projects for the Education Bureau of the HKSAR Government (HK$1.1 billion). SOBC also continued with its public housing construction work at San Po Kong, and So Uk Estate Phases 1 and 2. Pacific Extend, the building maintenance arm, was working on several term contracts for the Housing Authority, the Architectural Services Department (ASD), MTRC and CLP.

Shui On Construction (SOC)

SOC completed two contracts for the construction of a Sport Centre, Community Hall and District Library in Shatin and the Design and Construction of the West Kowloon Law Courts Building for the ASD. In addition, the construction of the Hong Kong Children's Hospital via a joint venture with the China State Construction Engineering (Hong Kong) has proceeded steadily.

Pat Davie (PDL)

PDL, the Group's interior fitting-out and building renovation arm, maintained satisfactory progress in winning new contracts and reported good results. Since the beginning of the year, PDL won 14 interior and fitting-out contracts worth approximately HK$740 million.

Its order book remains strong. Contracts secured include those for Cathay Pacific's business class lounge at the Hong Kong airport, a Murray Building hotel development, interior work for Pacific Place Phases I and II, The Link, projects for MTRC and many others. PDL completed 18 projects over the first-half period with an aggregate contract value of HK$396 million.

OUTLOOK

As the Group enters the latter phase of our monetisation strategy, both the market and a softening economy still present challenges. Annualised GDP growth forecasts for China in 2016 (6.6%) and 2017 (6.2%) show modest weakening, but the slowing sales growth and increasing competition among developers, particularly in second-tier cities, are likely to impact on our en-bloc divestment plans. Nonetheless, regulatory measures will remain broadly supportive, and focus mainly on lower-tier cities where inventory risks are still high, as the Central Government seeks to support a more balanced development across China's property market. Though the direction of the Renminbi's exchange value is uncertain, China's foreign currency reserves are substantial giving the authorities ample tools to regulate the exchange fluctuation.

SOCAM currently has two residential properties in the Mainland for sale. Four retail properties are being upgraded in theme and retail mix to make them more attractive to middle-income consumers and, in consequence, property investors.

Our construction division – including maintenance and renovation works – is performing satisfactorily, although the tendering climate is currently presenting challenges in balancing contract award success with project profitability. A few recent projects have been hit by undue fluctuations in steel prices and rapid rises in labour costs due to a skilled labour shortage. Looking forward, we expect a degree of stabilisation in this area and, with greater predictability, our tender teams' long experience will come to the fore.

Opportunities in construction in Hong Kong are promising and SOCAM will focus on business development in public housing as well as the commercial, corporate office, hospitality and retail sectors.

Meanwhile, the Group will be ever mindful of the recurring losses and look to streamline manpower and overheads. The continuing deleveraging will put us in a stronger, more flexible position to consider the most appropriate business to re-building the Company.

RESULTS

The Board of Directors (the "Board") of SOCAM Development Limited (the "Company" or "SOCAM") presents the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June **2016** **HK$ million** **(unaudited)**	 2015 HK$ million (unaudited) (re-presented)
Continuing operations			
Turnover			
The Company and its subsidiaries		**2,463**	2,786
Share of joint ventures/associates		**894**	298
		3,357	3,084
Group turnover	2	**2,463**	2,786
Other income and gains		**36**	76
Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold		**(466)**	(12)
Raw materials and consumables used		**(163)**	(219)
Staff costs		**(345)**	(336)
Depreciation and amortisation expenses		**(6)**	(7)
Subcontracting, external labour costs and other expenses		**(1,653)**	(2,265)
Fair value changes on investment properties		**(27)**	(5)
Dividend income from available-for-sale investments		**1**	1
Finance costs		**(97)**	(173)
Share of results of joint ventures		**(385)**	(136)
Share of results of associates		**(75)**	(38)
Loss before taxation		**(717)**	(328)
Taxation	3	**18**	(24)
Loss for the period from continuing operations		**(699)**	(352)
Discontinued operations			
Loss for the period from discontinued operations	4	**–**	(272)
Loss for the period		**(699)**	(624)
Attributable to:			
Owners of the Company			
Loss for the period from continuing operations		**(711)**	(357)
Loss for the period from discontinued operations		**–**	(272)
Loss for the period attributable to owners of the Company		**(711)**	(629)
Non-controlling interests			
Profit for the period from continuing operations		**12**	5
		(699)	(624)
Loss per share	6		
From continuing and discontinued operations			
Basic		**HK$(1.47)**	HK$(1.30)
Diluted		**HK$(1.47)**	HK$(1.30)
From continuing operations			
Basic		**HK$(1.47)**	HK$(0.74)
Diluted		**HK$(1.47)**	HK$(0.74)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016	2015
	HK$ million	HK$ million
	(unaudited)	(unaudited)
Loss for the period	**(699)**	(624)
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Fair value changes of available-for-sale investments	**(5)**	11
Exchange differences arising on translation of financial statements of foreign operations	**(128)**	2
Share of exchange differences of joint ventures	**24**	–
Share of exchange differences of associates	**(2)**	–
Reclassification adjustments for amounts transferred to profit or loss:		
– upon deregistration of a joint venture	**–**	(13)
– upon disposal of property inventories, net of deferred tax of nil (2015: Nil)	**–**	(1)
Other comprehensive expense for the period	**(111)**	(1)
Total comprehensive expense for the period	**(810)**	(625)
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(822)**	(630)
Non-controlling interests	**12**	5
	(810)	(625)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2016 HK$ million (unaudited)**	31 December 2015 HK$ million (audited)
Non-current Assets			
Investment properties		**1,850**	1,909
Property, plant and equipment		**25**	29
Interests in joint ventures		**77**	122
Available-for-sale investments		**59**	64
Interests in associates		**49**	146
Club memberships		**1**	1
Trade debtors	7	**–**	12
Amounts due from joint ventures		**1,824**	1,986
Amounts due from associates		**1,327**	1,296
		5,212	5,565
Current Assets			
Properties held for sale		**328**	354
Properties under development for sale		**68**	554
Debtors, deposits and prepayments	7	**1,564**	1,658
Amounts due from customers for contract work		**315**	342
Amounts due from joint ventures		**651**	617
Amounts due from associates		**426**	292
Amounts due from related companies		**1**	2
Taxation recoverable		**19**	27
Restricted bank deposits		**612**	732
Bank balances, deposits and cash		**1,065**	1,440
		5,049	6,018
Assets classified as held for disposal		**112**	756
		5,161	6,774
Current Liabilities			
Creditors and accrued charges	8	**1,431**	1,772
Sales deposits received		**115**	255
Amounts due to customers for contract work		**261**	350
Amounts due to joint ventures		**104**	108
Amounts due to associates		**–**	2
Amounts due to related companies		**340**	337
Amounts due to non-controlling shareholders of subsidiaries		**10**	6
Taxation payable		**36**	217
Bank and other borrowings due within one year		**2,499**	2,914
		4,796	5,961
Net Current Assets		**365**	813
Total Assets Less Current Liabilities		**5,577**	6,378
Capital and Reserves			
Share capital		**484**	484
Reserves		**4,237**	5,058
Equity attributable to owners of the Company		**4,721**	5,542
Non-controlling interests		**34**	38
		4,755	5,580
Non-current Liabilities			
Bank and other borrowings		**527**	421
Defined benefit liabilities		**152**	152
Deferred tax liabilities		**143**	225
		822	798
		5,577	6,378

Notes:

1. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2016 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").

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 2016 and 31 December 2015 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 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015. 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 2016. 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 new and amendments to HKFRSs that have been issued but are not yet effective.

2. Segment information

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

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

1. Property – property development for sale and investment and provision of property asset management services

2. Construction and building maintenance – construction, interior fit-out, renovation and maintenance of building premises

3. Other businesses – venture capital investment and others

The cement operations through Lafarge Shui On Cement Limited ("LSOC") were classified as discontinued operations as the equity interest in LSOC was disposed of during the year ended 31 December 2015, and the Group after the disposal, did not have material investments that engaged in cement operations. Accordingly, the segment information reported in this note 2 does not include any amounts for the discontinued operations in the current and prior periods. Details of discontinued operations are described in note 4 and segment information for prior period has been re-presented.

2. Segment information (continued)

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

For the six months ended 30 June 2016

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Sales of goods	**485**	**–**	**–**	**485**
Rental income	**7**	**–**	**–**	**7**
Revenue from rendering of services	**10**	**–**	**–**	**10**
Construction contract revenue	**–**	**1,961**	**–**	**1,961**
Group's revenue from external customers	**502**	**1,961**	**–**	**2,463**
Share of joint ventures/associates' revenue	**876**	**–**	**18**	**894**
Total segment revenue	**1,378**	**1,961**	**18**	**3,357**
Reportable segment results	**(575)**	**46**	**(52)**	**(581)**
Unallocated items:				
Other income				**1**
Finance costs				**(97)**
Other corporate expenses				**(40)**
Consolidated loss before taxation				**(717)**
Segment results have been arrived at after crediting (charging):				
Cost of properties sold	**(503)**	**–**	**–**	**(503)**
Depreciation and amortisation	**(2)**	**(3)**	**–**	**(5)**
Interest income	**28**	**2**	**–**	**30**
Fair value changes on investment properties	**(27)**	**–**	**–**	**(27)**
Dividend income from available-for-sale investments	**1**	**–**	**–**	**1**
Loss on disposal of investment properties classified as held for disposal	**(15)**	**–**	**–**	**(15)**
Share of results of joint ventures				
Property development	**(370)**	**–**	**–**	**(370)**
Other operations in Guizhou	**–**	**–**	**4**	**4**
Venture capital investments	**–**	**–**	**(19)**	**(19)**
				(385)
Share of results of associates				
Property development	**(75)**	**–**	**–**	**(75)**

2. Segment information (continued)

For the six months ended 30 June 2015 (re-presented)

	Property	Construction and building maintenance	Other businesses	Total
	HK$ million	HK$ million	HK$ million	HK$ million
REVENUE				
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
Group's revenue from external customers	185	2,597	4	2,786
Share of joint ventures/associates' revenue	268	2	28	298
Total segment revenue	453	2,599	32	3,084
Reportable segment results	(180)	62	(5)	(123)
Unallocated items:				
Other income				2
Finance costs				(173)
Other corporate expenses				(34)
Consolidated loss before taxation				(328)
Segment results have been arrived at after crediting (charging):				
Cost of properties sold	(103)	–	–	(103)
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)
Other operations in Guizhou	–	–	2	2
Venture capital investments	–	–	(12)	(12)
				(136)
Share of results of associates				
Property development	(38)	–	–	(38)

3. Taxation

	Six months ended 30 June	
	2016	2015
	HK$ million	HK$ million
Continuing operations		
The (credit) charge comprises:		
Current taxation		
Hong Kong Profits Tax	**9**	12
PRC Enterprise Income Tax	**14**	39
PRC Land Appreciation Tax	**37**	69
	60	120
Deferred taxation	**(78)**	(96)
	(18)	24

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax is calculated at 25% (2015: 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.

4. Discontinued operations

Following completion of the disposal of the Group's 45% interest in LSOC in August 2015, the Group's cement operations through LSOC have been classified as discontinued operations for the year ended 31 December 2015. The prior period figures have been re-presented for conformity with the current period presentation.

Loss for the six months ended 30 June 2015 from discontinued operations attributable to owners of the Company was HK$272 million, which included share of loss of joint ventures of HK$276 million and other income of HK$4 million.

5. Dividends

The Board does not recommend the payment of an interim dividend (2015: nil) for the six months ended 30 June 2016.

6. Loss per share

From continuing and discontinued operations

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

	Six months ended 30 June	
	2016	2015
	HK$ million	HK$ million
Loss for the period attributable to owners of the Company:		
Loss for the purpose of basic and diluted loss per share	**(711)**	(629)
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purpose of basic loss per share	**484**	484
Effect of dilutive potential ordinary shares:		
Share options	–	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**484**	484

The computation of the diluted loss per share for the six months ended 30 June 2016 and 30 June 2015 does not assume the exercise of the Company's share options, because this would result in a decrease in the loss per share.

From continuing operations

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

	Six months ended 30 June	
	2016	2015
	HK$ million	HK$ million
Loss for the period attributable to owners of the Company:		
Loss for the purpose of basic and diluted loss per share	**(711)**	(629)
Adjust: Loss for the period from discontinued operations	**–**	272
Loss for the purpose of basic and diluted loss per share from continuing operations	**(711)**	(357)

From discontinued operations

Basic and diluted loss per share from discontinued operations for the six months ended 30 June 2015 was HK$0.56 per share, based on the loss for the period from discontinued operations of HK$272 million and the denominators detailed above for both basic and diluted loss per share.

7. 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, net of allowance for doubtful debts, with an aged analysis (based on the repayment terms set out in the sale and purchase agreements or invoice date, as appropriate) at the end of the reporting period as follows:

	30 June 2016 HK$ million	31 December 2015 HK$ million
Trade debtors aged analysis (note a):		
Not yet due or within 90 days	**335**	584
91 days to 180 days	**–**	1
181 days to 360 days	**3**	1
Over 360 days	**4**	7
	342	593
Retention receivable	**248**	220
Consideration receivables in respect of disposal of a subsidiary and a joint venture	**71**	25
Prepayments, deposits and other receivables (note b)	**903**	832
	1,564	1,670
Less: amount due for settlement after 12 months	**–**	(12)
	1,564	1,658

Notes:

(a) Included in the trade debtors are receivables of HK$18 million (31 December 2015: HK$35 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 2016 are receivables of HK$425 million (31 December 2015: HK$417 million) due from China Central Properties Limited'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$140 million (31 December 2015: HK$143 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$164 million) (31 December 2015: RMB140 million (approximately HK$167 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 9(d)). In the opinion of the Directors of the Company, given that there have been continued positive outcomes in the legal disputes in relation to the property interest, including the successful registration of title deed of the property under the name of the Debtor in May 2015, the Directors of the Company believe that these receivables will be fully settled and the guarantee provided by the Company will be released either through public auction of the aforesaid property interest or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

8. Creditors and accrued charges

The aged analysis of creditors (based on invoice date) of HK$242 million (31 December 2015: HK$531 million), which are included in the Group's creditors and accrued charges, is as follows:

	30 June 2016 HK$ million	31 December 2015 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**138**	375
31 days to 90 days	**11**	30
91 days to 180 days	**1**	4
Over 180 days	**92**	122
	242	531
Retention payable	**333**	313
Provision for contract work/construction cost	**690**	694
Other accruals and payables	**166**	234
	1,431	1,772

9. Contingent liabilities

At 30 June 2016, 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 RMB83 million (HK$97 million) (31 December 2015: RMB110 million (HK$131 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$1,147 million (31 December 2015: HK$827 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 RMB18 million (HK$21 million) (31 December 2015: RMB99 million (HK$118 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 China Central Properties Limited ("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 7(b) for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee to October 2016, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$634 million) at 30 June 2016 (31 December 2015: RMB542 million (HK$647 million)) and the related interest amounting to RMB314 million (HK$367 million) (31 December 2015: RMB280 million (HK$334 million)) are secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

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

FINANCIAL REVIEW

INTERIM RESULTS

The Group's loss attributable to shareholders for the six months ended 30 June 2016 was HK$711 million on a turnover of HK$2,463 million, compared with the loss of HK$629 million and turnover of HK$2,786 million for the corresponding period last year. The Board has resolved not to declare an interim dividend (2015: nil).

An analysis of the total turnover is as follows:

	Six months ended 30 June 2016 HK$ million	Six months ended 30 June 2015 HK$ million (re-presented)
Turnover		
SOCAM and subsidiaries		
Construction	**1,961**	2,597
Property	**502**	185
Others	**–**	4
Total	**2,463**	2,786
Joint ventures and associates		
Property	**876**	268
Others	**18**	30
Total	**894**	298
Total	**3,357**	3,084

Turnover from the construction business recorded a substantial decrease in the first half of this year, as compared with the same period last year. This was mainly due to the completion of certain construction contracts during this current interim period, including the relocation of the Department of Justice, construction of the West Kowloon Law Courts Building, and construction of the Sports Centre, Community Hall and District Library Complex in Shatin, valued at HK$3.6 billion in total. Major new contracts were awarded in this interim period, and corresponding turnover will be reflected at a later stage in line with the progress of the construction works.

Revenue from the property business increased to HK$502 million, from HK$185 million in the last interim period, which mainly came from the disposal of the Zunyi project for a consideration of HK$463 million in January 2016. Turnover in 2015 was mainly derived from the sales of the inventories in Guangzhou Parc Oasis.

The consideration of approximately HK$364 million for the disposal of the remaining 20% interest in Shenyang Project Phase II in January 2016 and the revenue derived from the strata-title sales of the apartment units of an investment property – Tower 18, Lakeville Regency in Shanghai, amounting to HK$268 million for the current period, have not been included in turnover according to applicable accounting rules.

The Group's share of property sales revenue from jointly developed projects increased to HK$876 million, from HK$268 million in the last interim period. Revenue in the current period was mainly attributable to the 81%-owned Chengdu Centropolitan, which commenced to hand over pre-sold residential units to buyers. Revenue in the last interim period mainly came from the 80%-owned Shanghai Four Seasons Place, which was disposed of together with the Four Seasons Hotel Pudong in July 2015. In addition, higher revenue was recognised by the 22%-owned Dalian Tiandi in the current period.

As the Group's 45% interest in LSOC was disposed of in August 2015, the cement operation through Lafarge Shui On Cement (LSOC) was classified as discontinued operations in 2015 and the prior period figures have been re-presented accordingly.

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

	Six months ended 30 June 2016 HK$ million	Six months ended 30 June 2015 HK$ million
Property		
Net loss on property sales and net rental expenses	**(60)**	(7)
Fair value changes on investment properties, net of deferred tax provision	**(17)**	(4)
Share of results of joint ventures and associates	**(445)**	(164)
Operating expenses, net of project fee income	**(72)**	(46)
	(594)	(221)
Construction	**44**	60
Cement – LSOC (discontinued operations)	**–**	(272)
Venture capital investments	**(19)**	(12)
Net finance costs	**(66)**	(127)
Corporate overheads	**(35)**	(37)
Taxation and others	**(29)**	(15)
Non-controlling interests	**(12)**	(5)
Total	**(711)**	(629)

Property

Property sales reported a higher loss for the current interim period, which was largely due to the transaction costs in relation to the disposal of the Zunyi project, while the Group's inventories available for sale in Guangzhou Parc Oasis have substantially been disposed of by end of last December.

The significant increase in the share of losses of the Group's jointly developed projects for this interim period was largely due to impairment losses provided on the property assets of the 81%-owned Chengdu Centropolitan project and 22%-owned Dalian Tiandi, given the substantial downward pressure on the selling prices of apartment and office units amid unfavourable property market conditions in these cities, together with revaluation loss on the investment properties in the 45%-owned Tianjin Veneto project, totalling HK$310 million (2015: HK$42 million).

Increase in net operating expenses for the current period was partly due to higher foreign exchange losses incurred on the borrowings of the Group's property projects, as a result of the continued depreciation of Renminbi against the Hong Kong dollar during the period. In addition, project fee income decreased following the completion of certain joint developments managed by the Group.

Construction

Construction business posted lower profit for the current interim period, which was attributable to decreased turnover in Hong Kong and Macau. Average net profit margin was 2.2% of turnover, which was close to the 2.3% margin in the previous interim period.

Net finance costs

Net finance costs decreased to HK$66 million for the first half of 2016, from HK$127 million for the same period in 2015, which was in line with the substantial reduction in bank borrowings starting from the second half of 2015 as a result of the disposal of the Group's 45% interest in LSOC in August 2015 and the continued realisation of property assets.

ASSETS BASE

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

	30 June 2016 HK$ million	31 December 2015 HK$ million
Total assets	**10,373**	12,339
Net assets	**4,721**	5,542
	HK$	HK$
Net assets per share	**9.8**	11.4

Total assets of the Group decreased to HK$10.4 billion at 30 June 2016, from HK$12.3 billion at 31 December 2015. The decrease in both net assets of the Group and net assets per share was attributable to the HK$711 million loss for the current period and reduction in the translation reserve of HK$106 million as a result of the depreciation of Renminbi against the Hong Kong dollar.

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

	30 June 2016 HK$ million	**%**	31 December 2015 HK$ million	%
Property	**7,912**	**76**	9,439	76
Construction	**1,600**	**16**	1,817	15
Others	**861**	**8**	1,083	9
Total	**10,373**	**100**	12,339	100

The proportion of total assets of each business segment remained stable at 30 June 2016, when compared with that at 31 December 2015. As the Group continues with its monetisation plan to dispose of its property assets, the value of property portfolio decreased during the period, 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$4,721 million on 30 June 2016, compared with HK$5,542 million on 31 December 2015, which was attributable to the aforementioned reasons.

Net bank and other borrowings of the Group, which represented bank and other borrowings, net of bank balances, deposits and cash, amounted to HK$1,349 million on 30 June 2016. This compared with HK$1,163 million on 31 December 2015.

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

	30 June 2016 HK$ million	31 December 2015 HK$ million
Bank and other borrowings repayable:		
Within one year	**2,499**	2,914
After one year but within two years	**430**	222
After two years but within five years	**97**	199
Total bank and other borrowings	**3,026**	3,335
Bank balances, deposits and cash	**(1,677)**	(2,172)
Net bank and other borrowings	**1,349**	1,163

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, increased to 28.6% at 30 June 2016, from 21.0% at 31 December 2015, mainly as a result of the decrease in shareholders' equity during this period.

TREASURY POLICIES

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

The Group's bank borrowings are mainly denominated in Hong Kong dollars and have been arranged on a floating-rate basis. Investments in the Chinese Mainland are partly funded by capital already converted into Renminbi and partly financed by borrowings in Hong Kong dollars. Renminbi financing is primarily at project level where the sources of repayment are also Renminbi denominated. Given that income from operations in the Chinese Mainland is denominated in Renminbi and property assets in the Chinese Mainland are normally priced in Renminbi on disposals, the Group expects that the fluctuations of Renminbi in the short-term will affect the Group's business performance and financial status. The Group has converted part of its existing Hong Kong dollars borrowings into Renminbi to hedge against currency risk exposure and may take out further appropriate financial instruments, at reasonable cost, to reduce potential foreign exchange risk in the short-term. It is the Group's policy not to enter into derivative transactions for speculative purposes.

EMPLOYEES

At 30 June 2016, the number of employees in the Group was approximately 1,240 (31 December 2015: 1,340) in Hong Kong and Macau, and 500 (31 December 2015: 550) in subsidiaries and joint ventures in the Chinese Mainland. 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 emphasis on building the corporate culture and professional training and development opportunities are provided for local employees. It remains our objective to be regarded as an employer of choice to attract, develop and retain high calibre and competent staff.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's condensed consolidated statement of financial position as of 30 June 2016, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the period then ended as set out in this announcement have been extracted from the Group's unaudited condensed consolidated financial statements for the period, which have been reviewed by the Company's external auditor, Deloitte Touche Tohmatsu, 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 HKICPA.

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 2016.

CORPORATE GOVERNANCE

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2016, 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2016, the Company has 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.

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 sickness, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 23 May 2016. 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 FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

By order of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 26 August 2016

At the date of this announcement, the Executive Directors of the Company are Mr. Lo Hong Sui, Vincent and Mr. Wong Fook Lam, Raymond; the Non-executive Directors of the Company are Mr. Tsang Kwok Tai, Moses and Mr. Gerrit Jan de Nys; and the Independent Non-executive Directors of the Company are Ms. Li Hoi Lun, Helen, Mr. Chan Kay Cheung and Mr. William Timothy Addison.

** For identification purpose only*

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