瑞安建業
SOCAM DEVELOPMENT

RECOVERY
ON THE WAY
重建動力 邁步向前

INTERIM REPORT
中期報告
2017

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.

BUSINESS INTERESTS:

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

PROPERTY

- Special Situation Projects
- Knowledge Community Project

CONSTRUCTION

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

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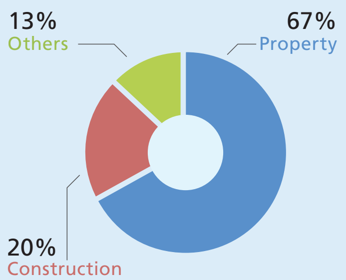
FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2017	2016
Turnover		
SOCAM and subsidiaries	**HK$3,167 million**	HK$2,463 million
Share of joint ventures and associates	**HK$421 million**	HK$894 million
Total	**HK$3,588 million**	HK$3,357 million
Loss attributable to shareholders	**(HK$197 million)**	(HK$711 million)
Basic loss per share	**(HK$0.41)**	(HK$1.47)

	At 30 June 2017	At 31 December 2016
Total assets	**HK$10.0 billion**	HK$9.2 billion
Net assets	**HK$3.8 billion**	HK$3.8 billion
Net asset value per share	**HK$7.78**	HK$7.92
Net gearing	**42.0%**	33.5%

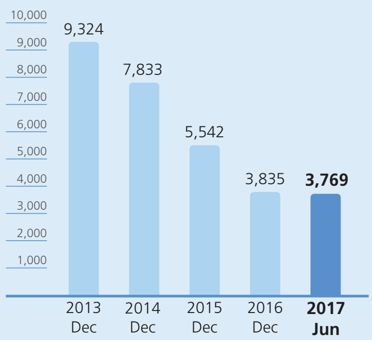
ASSETS EMPLOYED

At 30 June 2017



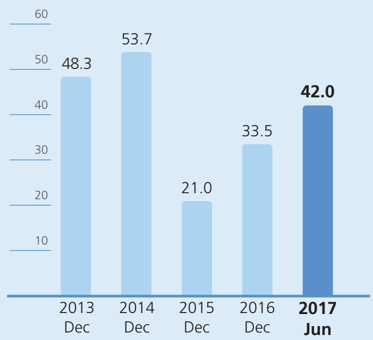
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

HK$ million



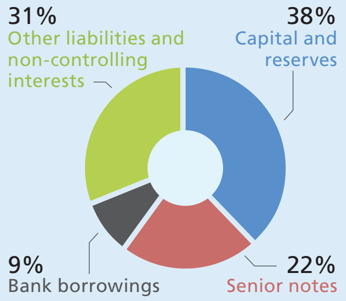
NET GEARING

Percentage



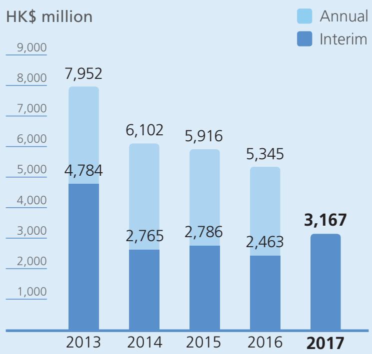
CAPITAL AND LIABILITIES

At 30 June 2017



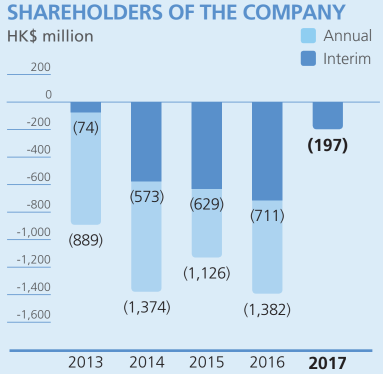
TURNOVER

HK$ million



LOSS ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

HK$ million



MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to adopt a prudent and sound financial management strategy to support its rebuilding plan, and remains confident that it is on the right track to recovery.

On the global economic front, a long-awaited cyclical recovery in manufacturing and trade is becoming evident. The IMF recently forecast global GDP growth of 3.5% for 2017, an improvement on the 3.1% growth figure recorded in 2016. More optimistic macro-economic projections released lately have added momentum to business activities and markets in the Chinese Mainland and Hong Kong, where SOCAM principally operates.

China's economy expanded by a faster-than-expected 6.9% in the second quarter from a year earlier as the Central Government's ongoing efforts to rebalance the economy take hold. Foreign exchange reserves edged up in June for a fifth consecutive month, and Renminbi has been strengthening against the US dollar since the beginning of this year. All these factors are expected to have a positive impact on our businesses.

In property, market challenges continued. The Central Government maintains a tight policy stance and positive signs of greater stability have emerged during the period under review. As the Group has entered the final phase of monetising our property assets in the Chinese Mainland, our current focus is on revamping our retail properties to enhance values. Consumption in China continued to grow from January to June 2017, and total retail sales of consumer goods reached RMB17.2 trillion, up by 10.4% year-on-year, while e-commerce also exploded and it now accounts for 18% of total retail sales. Against this background, coupled with over-supply of retail space in general, competition among retail developers is keen, as the online shopping spree has prompted developers to add enhanced variety and excitement to the shopping mall experience to drive traffic.

In April this year, China announced the 'Xiongan New Area' plan, destined to create a new economic zone and expected to emulate and improve on the success of the Shenzhen Special Economic Zone and the Shanghai Pudong New Area, will be absorbing part of the non-capital functions of Beijing. Established neighbouring cities, including the port city of Tianjin, where the Group is developing a landmark shopping mall, look set to benefit in the medium and long term.

Hong Kong's economic growth has picked up steadily with GDP expansion for 2017 forecast to be close to 3.0%. As business confidence picks up, particular interest centres on the policy directives of the HKSAR's new administration. Delivery of public and affordable housing, together with ancillary community support such as hospitals, schools and recreation facilities, will likely remain paramount. Construction activity is stabilising at peak levels causing some projects to be affected by significant resource challenges.

MAJOR PROGRESSES

With marketing activity of Phase II of Nanjing Scenic Villa increasing, and sales about to begin, the disposal of SOCAM's residential assets is at its final stage. The execution of our monetisation strategy has progressed well and significantly scaled back the property gross floor area from 2.1 million square metres at the end of 2013 to around 0.4 million square metres today, and contributed to the substantial reduction of bank borrowings from HK$8.2 billion as at end of 2013 to the current HK$0.9 billion as at 30 June 2017.

In May and June of this year, SOCAM successfully issued 3-year USD denominated notes in an aggregate amount of US$280 million. The net proceeds have enabled us to repay the Group's short-term bank borrowings and strengthen its working capital, which allow the Group to revamp and upgrade our remaining property assets and enhance their values, while the Company is seeking new investments to revitalise and rebuild our asset management and property businesses. The Company will exercise prudency in the allocation of this longer-term funding in response to changing market trends, and in the best interests of our shareholders.

In the first half of 2017, the Group's financial position improved as longer-term funding was secured. In addition, Renminbi appreciated around 3.0% against the Hong Kong dollar, reversing a slide of 6.8% in 2016. If stability remains, as expected, the Group will benefit from the improved returns and valuations of its Renminbi-denominated property assets in the Chinese Mainland, leading to a stronger balance sheet and higher profitability.

SOCAM's Chinese Mainland retail property projects are making progress. We are working on the asset enhancement programme of our four shopping malls in Chengdu, Chongqing, Shenyang and Tianjin. Chengdu Centropolitan mall is slated to open in the fourth quarter of 2017, and has recently attracted a number of tenants to its fresh market 'village' concept, an enriched offering specifically designed to satisfy the daily needs of the local community and its surrounding neighbourhoods. Following in Tianjin Veneto's footsteps, Shenyang Tiandi mall also expanded its asset enhancement programme earlier this year. The newly introduced 'Bar Street', focusing on lifestyle entertainment and food and beverages services for the expanding middle class, opened in July. These initiatives are essential to raise the rental yields and values of the malls and strengthen the Group's long-term competitive edge and profitability.

On the construction front, we secured more than HK$4.3 billion of new construction contracts in the first half of the year, capturing works in public housing, government buildings, maintenance works and interior design projects. A further HK$580 million Public Housing construction contract was secured after the reporting period.

Shenyang Project Phase I

PROPERTY

Chengdu Centropolitan

SOCAM is taking proactive steps to undertake enhancement works on the four shopping malls in Chengdu, Chongqing, Shenyang and Tianjin and is making satisfactory progress. The revamp aims to increase footfall, raise occupancies and yields and enhance the retail properties' asset values.

With our niche retail portfolio, SOCAM's aim is to achieve the full potential of our four well-located malls by increasing traffic flow and thus improve rental income to reduce operating loss in the short term. This broadly involves creating an experiential customer journey, diversifying the tenant mix in line with market trends and making the malls new shopping and entertainment destinations in their locations.

OPERATING PERFORMANCE

As of 31 July 2017, SOCAM owned six projects, with a total developable GFA attributable to the Group of approximately 438,600 square metres. These projects command good locations in six Mainland cities, as summarised below:

		GFA (100% basis)					Attributable GFA	
Project	SOCAM's interest	Residential / Villa	Soho / Office	Retail	Carparks and others	Total	Total	Estimated Completion
Chengdu Centropolitan	100%	1,600	65,300	39,600	109,700	216,200*	216,200*	2017
Chongqing Creative Concepts Center	100%	–	–	21,000	10,000	31,000*	31,000*	Completed
Guangzhou Parc Oasis	100%	–	–	200	5,000	5,200*	5,200*	Completed
Nanjing Scenic Villa	50%	83,000	–	–	24,000	107,000*	53,500*	2019
Shenyang Project Phase I	100%	300	2,900	62,200	22,500	87,900*	87,900*	Completed
Tianjin Veneto	45%	–	–	98,100	1,300	99,400	44,800	2019
Total		84,900	68,200	221,100	172,500	546,700**	438,600**	

* The GFA shown above has excluded sold and delivered areas
** Excluding that of the knowledge community project in Dalian

Tianjin Veneto

Shenyang Project Phase I

PROJECT DEVELOPMENT AND MARKETING PROGRESS

Nanjing Scenic Villa

Nanjing is among the best performing cities in China by GDP; demand for mid- to high-end new residence is expected to remain buoyant.

Nanjing Scenic Villa has a total developable GFA of 134,000 square metres on completion in 2019, with the development offering distinctive low-rise apartments with balconies in a garden and lakeside setting. Over 95% of the villas in Phase I has now been sold, with 98% of sold units handed over to buyers in the second quarter of 2017. Pre-sale of the first batch of villas in Phase II commenced in July last year, and over 80% of the villas launched for pre-sale was sold or subscribed for with a total revenue of over RMB400 million up to 31 July 2017. Further sales launch of the second batch of villas in Phase II is scheduled for the latter half of 2017.

Chengdu Centropolitan

Situated in the Central Business District of a major city in southwest China, Chengdu Centropolitan is a mixed-used development at which almost all units in the 11 residential towers have now been sold, with prices being softer than target due to citywide oversupply of housing stock. Leasing activity on the office tower is progressing satisfactorily. We are currently in negotiation with the buyer for termination of the block sale agreement for all 504 SOHO units entered into in December 2016. Our plan is to re-package and re-launch these units to end users in the last quarter of this year at prices more favourable to the Group.

Our focus now intensifies on our 40,000 square metre shopping mall within the development. New retail market supply in the city has recently seen a hiatus with mall vacancies falling marginally. The mall, which mainly targets families in the neighbourhood and provides them with well-rounded experiences by offering a fresh market 'village' and unique features to satisfy the daily needs of the local community, will be launched in the fourth quarter of 2017. Opening of other sections of the mall will be in phases afterwards.

In July 2017, the Group bought back a 19% interest in this project from the financial investor. As a result, SOCAM now owns 100% of Chengdu Centropolitan.

Chengdu Centropolitan

Chongqing Creative Concepts Center

The city's retail market remains in a period of transition in the first half of 2017, with many projects competitively engaged in upgrade works to meet tenant and consumer expectations. The mall, adjacent to the Central Business District, is undergoing revamping and enhancement works based on new trend expectations. Yet tenant occupancy rate currently remains soft at around 50%. Major tenancies are under negotiation and if successful, the mall will be close to fully let by end of the year.

Tianjin Veneto

The mall revamping plan that began in 2016 will be completed by the end of 2017. We aim to make it a priority destination for visitors looking for a retail experience that is inclusive of the whole family. We have recently adjusted the tenant mix and upgraded facilities with the aim of providing visitors with the best possible experience. While enhancement works are ongoing, performance of the mall was adversely affected during the first half of the year. As a result, sales turnover and rental income dropped by more than 20% and 40% respectively compared with the same period last year. The occupancy rate of the mall was down 40% amid the change of the tenant mix, while footfall has seen a year-on-year increase of 27% in June this year, an encouraging trend.

With regard to Phases 2 and 3, the development plan is being finalised for submission to the local government for approval.

Guangzhou Parc Oasis

The sales of the remaining 400 car parking spaces of this residential development are underway. Seven car parking spaces were sold during the first seven months of this year.

Shenyang Project Phase I

Retail stock in Shenyang is experiencing a rise with a significant level of new supply of retail space in 2017. However, the city is rapidly modernising and its shopping and entertainment mix attracts visitors from surrounding areas of Liaoning province. The 62,000 square metre Shenyang Tiandi mall has a distinctive, airy architectural design and excellent potential to become a renowned centre for eclectic and affordable food & beverage options. Our revamping plans are moving in this direction and, during the transition, tenant occupancy rate remained steady at 60% as at 30 June 2017. 'Bar Street', an exciting concept that boasts a wide selection of alfresco dining and bars, opened in July, has become a new attraction to the local community.

Tianjin Veneto

Total retail sales for 2017 in Tianjin have as yet seen an upward trend, reflecting the healthy growth of the city's retail market. The Veneto, with a total GFA of 98,000 square metres, will continue to create its own niche presence, abetted by its chic European feel and Italian style pedestrian lanes.

Dalian Tiandi

Dalian Tiandi

KNOWLEDGE COMMUNITY – DALIAN TIANDI

Dalian Tiandi is a large-scale knowledge community project jointly developed by Shui On Land, SOCAM and the Yida Group, in which SOCAM has a 22% interest. This project is expected to have a landbank of 3.2 million square metres GFA providing inter-connecting zones tailor-made to the needs of software companies and knowledge industry professionals.

Site A - C03 at Hekou Bay, with a total GFA of 26,000 square metres of residential apartments and 13,000 square metres of serviced apartment, was completed in the first half of 2017. Site A - B10 at Hekou Bay with a total GFA of 50,000 square metres for residential use was launched for pre-sale in May 2017, and the construction work is scheduled to be completed in 2018. Contracted sales performance has been encouraging.

A total GFA of 161,000 square metres for residential use, 77,000 square metres for office use, 14,000 square metres for retail use and 33,000 square metres for serviced apartment use are under construction. They are planned for completion progressively from the second half of 2017 to 2020.

Recognised property sales (net of business tax) for Dalian Tiandi stood at RMB493 million, and its related profit or loss was reflected in the share of results of associates, to the extent of the Group's interest in the project. Sales performance improved and the average selling price picked up in the period under review, an improvement from the corresponding period in 2016.

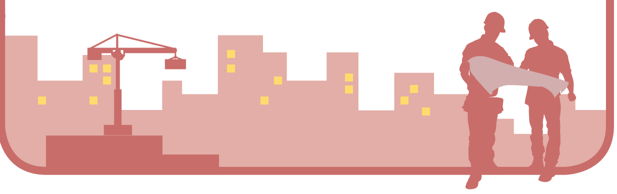
The occupancy levels of the office property portfolio remained stable and reached 90%, with tenants progressively moving in since 2012.

As at 30 June 2017, the leasable and saleable GFA completed and under construction were 300,000 square metres and 880,000 square metres respectively.

CONSTRUCTION

So Uk Estate Phase 1

Following on from securing contract values of HK$4.7 billion in 2016, the Group secured more than HK$4.3 billion of new construction contracts in the first half of the year.




So Uk Estate Phase 2

Hong Kong Children's Hospital

The Company's construction arm is expanding its order book. Following on from securing contract values of HK$4.7 billion in 2016, in the first half of this year we secured new contracts worth more than HK$4.3 billion.

Our current progress on a number of projects continues apace. These include the construction of the second phase of the public housing works in So Uk Estate, three more phases of the Shek Kip Mei Estate public housing development, and the Hong Kong Children's Hospital in a joint venture with China State Construction.

Looking forward, the HKSAR government's plans to significantly increase public and affordable housing and its commitment to hospital development plans open up promising tendering opportunities for the Company in the immediate years ahead. With the new administration in place, it is hoped that suitable land plots can be identified to provide more public housing developments and that Legco can be more accommodating in the approval of necessary government funds for building works. We see ample business opportunities in the public construction sector which SOBC / SOC is well placed to exploit with its core strengths.

The construction industry as a whole in Hong Kong is facing complex problems regarding the cost and availability of skilled and semi-skilled labour. Industry wages are ever-rising and, along with escalating material costs, now make Hong Kong, by some way, the most expensive city for construction in Asia. Government mega-projects – bridges, rail and road links, cultural and amenity centre construction, and the airport expansion project – are making heavy demands on the labour pool as ageing and low replenishment rates suggest a diminishing future supply of labour. As the industry works with the government to resolve such problems, SOCAM is also exploring possible alleviation measures of our own.

In order to encourage management to take on greater accountability and initiatives, in August 2017, the Group agreed to sell 15% of the issued share capital of Shui On Contractors, the holding company of the construction businesses, to seven executives of the Construction Division for a total consideration of HK$75 million. SOCAM has in place a high quality management team and, with increased accountability, firm commitment and ownership, the team will strive to improve productivity, strengthen cost control and ensure timely delivery of works. The Group is confident that the introduction of an equity participation arrangement for key management will deliver better results in its construction business, a major profit contributor to the Group.

OPERATING PERFORMANCE

In the first half of the year, the Group's construction, maintenance and fit-out business in Hong Kong and Macau recorded a profit of HK$50 million (2016: HK$44 million), and saw turnover increase significantly by 60% to HK$3.1 billion (2016: HK$2.0 billion). As of 30 June 2017, the gross value of contracts on-hand was approximately HK$21.6 billion, and the value of outstanding contracts to be completed was approximately HK$10.9 billion (HK$18.6 billion and HK$9.7 billion respectively as at 31 December 2016).

Shui On Building Contractors (SOBC)

New contracts secured by SOBC amounted to HK$899 million and comprised 2017/2020 term contracts for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices in Wong Tai Sin, Tsing Yi and Tsuen Wan and a similar term contract for properties managed by District Maintenance Offices in Kowloon East. Subsequent to the period end, a further HK$580 million contract was awarded by the Hong Kong Housing Authority for the construction of a Public Rental Housing Estate in Wong Tai Sin.

Among the major contract completions in the first half of 2017 were the construction of a Public Rental Housing Development at San Po Kong; a term contract for the HKSAR government for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and other Properties in western and southern districts of Hong Kong Island and on Lantau Island; a similar term contract for Tuen Mun and Yuen Long; and a term contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices in Wong Tai Sin, Tsing Yi, Tsuen Wan and Islands.


King Tai Court

Shui On Construction (SOC)

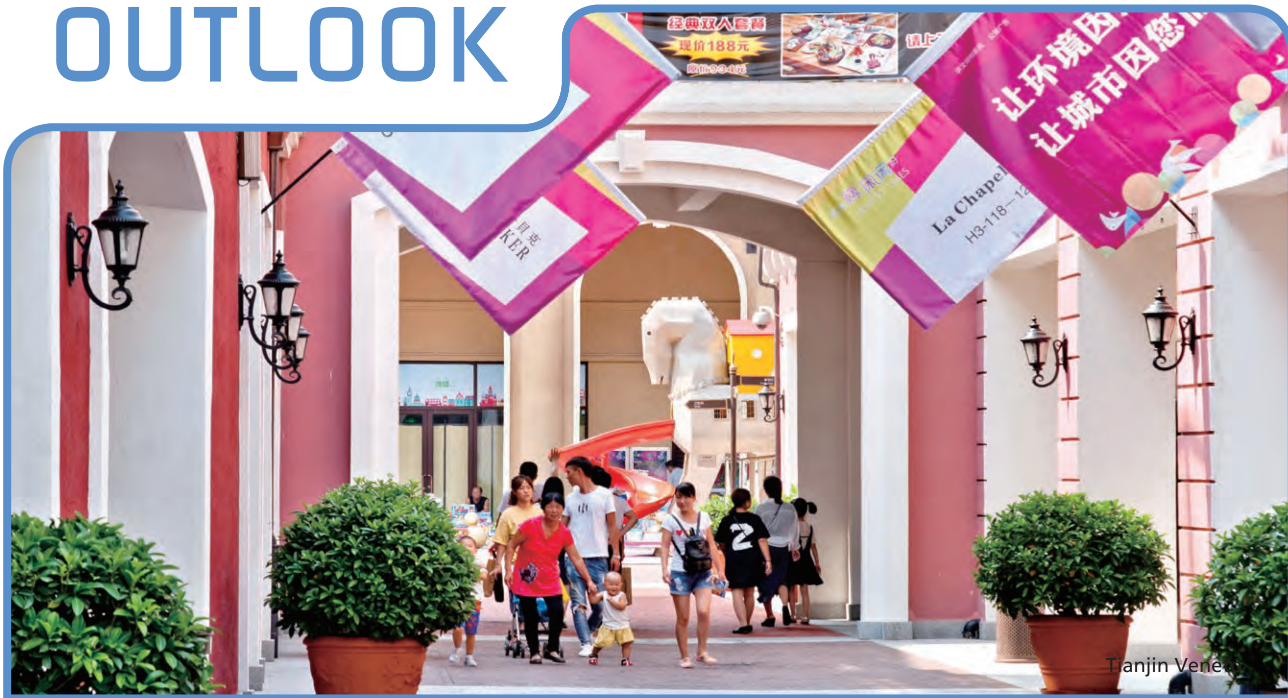
SOC secured a contract worth HK$2,720 million from the Architectural Services Department for the design and construction of Junior Police Officer Married Quarters at Fan Garden, Fanling providing 1,184 units on completion in 2020.

Pat Davie (PDL)

The Group's interior fit-out and building renovation arm had another busy and profitable start to the year. PDL has the experience and expertise to work in a wide variety of sectors as witnessed in its January to June contract completion record where it delivered in areas of retail space, a business class lounge, bank refurbishment and more. Clients included Link Asset, Cathay Pacific, Swire Properties, Hang Seng Bank and Hong Kong Football Club. Over the period, contract work completed, in Hong Kong, amounted to HK$291 million. In Macau, PDL completed a HK$199 million renovation of the Gaming Grand Hall for MGM, among others.

Fifteen contracts awarded in the first six months of this year in Hong Kong and Macau amounted to HK$674 million, covering mainly offices and retail space.

OUTLOOK



Tianjin Vene

REVITALISING CORE STRENGTHS

In the retail sector across China, demand for space for luxury goods is weak, but for affordable fashion and lifestyle brands, and particularly innovative food and beverage outlets, it remains firm. In recent years, developers anticipated rapid increase in local income and consumption and in most cities an over-supply of retail space has occurred. Retail sales year-on-year in China averaged 12.8% from 2010 until 2017 and this trend is continuing. In SOCAM's operating cities of Chengdu, Chongqing, Tianjin and Shenyang we are adding more experiential elements to our well-located malls. The Group is making satisfactory progress on revamping our four shopping malls. Our intent in this regard is to increase footfall, raise occupancies and yields and enhance their asset values.

Over the past several years, the Group's property divestment strategy in the Chinese Mainland has resulted in a substantially reduced debt burden and thus significantly improved our balance sheet. The Company has become leaner and is more capably poised to take advantage of the opportunities that lie ahead. Our successful notes issue earlier this year, raising 3-year funds of US$280 million, has significantly reduced our short-term bank borrowings, and put us in a more flexible financial condition.

Opportunities in construction in Hong Kong are promising and SOCAM will focus on business development in public housing and amenities as well as developing a stronger footprint in areas such as revitalising old industrial buildings and maintenance, which are expected to add further momentum to the Group's construction business in the long run. As we look to seeking out profitable business opportunities ahead, we are also focusing on timely delivery of works and cost control. The equity participation arrangement in our construction business will provide the senior executives in our Construction Division more incentives to align with our capabilities, market needs and shareholder expectations.

SOCAM will continue to adopt a prudent and sound financial management strategy to support the Group's rebuilding plan. It will take some time to see the outcome of our operation and business initiatives reflect in our profitability and balance sheet, but we remain confident that the Company is on the right track to recovery.

Dalian Tiandi

FINANCIAL REVIEW

INTERIM RESULTS

The Group's loss attributable to shareholders for the six months ended 30 June 2017 was HK$197 million on a turnover of HK$3,167 million, compared with the loss of HK$711 million and turnover of HK$2,463 million for the corresponding period last year. The Board has resolved not to declare an interim dividend (2016: nil).

An analysis of the total turnover is as follows:

	Six months ended 30 June 2017 HK$ million	Six months ended 30 June 2016 HK$ million
Turnover		
SOCAM and subsidiaries		
Construction	3,144	1,961
Property	23	502
Total	3,167	2,463
Joint ventures and associates		
Property	407	876
Others	14	18
Total	421	894
Total	3,588	3,357

Turnover from the construction business recorded a substantial increase in the first half of this year, as compared with the same period last year. The increase in turnover was mainly attributable to the contract for the construction of the Hong Kong Children's Hospital in a joint venture with China State Construction, which is targeted for completion in the second half of this year, and the major new contracts secured last year, including the construction of Public Rental Housing Development at Shek Kip Mei and a housing development under Home Ownership Scheme at Kai Tak.

Revenue from the property business decreased to HK$23 million, from HK$502 million in the prior interim period. The turnover in 2016 was mainly derived from the disposal of the Zunyi project for a consideration of HK$463 million. Excluding this en-bloc disposal, property sales revenue was not significant in both interim periods because the inventories of the Group's wholly-owned property projects have been substantially sold over the last few years.

The Group's share of property sales revenue from jointly developed projects amounted to HK$407 million in the current interim period, which mainly came from (a) the 50%-owned Nanjing Scenic Villa that handed over the pre-sold villas in its first phase to buyers; and (b) the 22%-owned Dalian Tiandi that saw higher sales volumes and improved pricing of its residential units sold. However, the jointly developed projects recorded higher sales revenue of HK$876 million in the prior interim period, as the then 81%-owned Chengdu Centropolitan delivered a considerable number of pre-sold residential units to buyers immediately after completion of construction works.

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

	Six months ended 30 June 2017 HK$ million	Six months ended 30 June 2016 HK$ million
Property		
Profit (loss) on property sales	3	(49)
Net rental expenses	(7)	(11)
Fair value changes on investment properties, net of deferred tax provision	(14)	(17)
Share of results of joint ventures	(50)	(370)
Share of results of associates – Dalian Tiandi	(7)	(75)
Operating expenses, net of project fee income	(6)	(72)
	(81)	(594)
Construction	50	44
Venture capital investments	(6)	(19)
Net finance costs	(88)	(66)
Corporate overheads	(17)	(35)
Taxation and others	(41)	(29)
Non-controlling interests	(14)	(12)
Total	(197)	(711)


Tianjin Veneto

Property

The Group's wholly-owned projects contributed a small profit from sales of their already-low inventory for the first half of this year.

The investment properties of the Group, consisting mainly of the shopping malls of Chongqing Creative Concepts Center and Shenyang Project Phase I, incurred lesser negative rentals after expenses for the period under review, as a result of the Group's continued efforts to reduce operating costs and increase occupancies.

The significant decrease in the share of losses of the Group's jointly developed projects for the current interim period was mainly due to the very substantial reduction in the impairment loss provided on the property assets of the then 81%-owned Chengdu Centropolitan project and the reduction in valuation loss on the properties in the 45%-owned Tianjin Veneto project to HK$37 million, from HK$253 million for the prior interim period. In addition, the 22%-owned Dalian Tiandi reported considerable improvement in its financial results due to marked increase in the sales of its residential stock at higher prices and less impairment loss provision on its property assets as a result of improving property market conditions.

During the current interim period, the Renminbi registered a 3.0% appreciation against the Hong Kong dollar, and this brought about foreign exchange gains to the Group's property projects, including jointly developed ones, totalling HK$56 million, as contrasted with the foreign exchange losses of HK$39 million on the 2.0% depreciation for the same period last year. Such exchange gains were reflected partly in the share of the results of the Group's joint ventures and associates, and partly in the reduction in operating expenses.

The Group achieved further saving in operating expenses of some HK$30 million in the current interim period as the organisation was streamlined further in line with the progress of the assets monetisation.

Construction

Construction business posted higher profit for the current interim period, which was attributable to increased turnover and a stronger order book in Hong Kong. Average net profit margin was 1.6% of turnover, which was the same as that for the year 2016, but below the 2.2% margin in the previous interim period largely due to the further loss being taken up in one of the construction projects that saw fluctuation income from the client falling short of the movements in steel and labour costs.

Net finance costs

In May and June 2017, the Company issued 6.25% senior notes due 2020 in a total amount of US$280 million, which were primarily used to repay the Group's bank borrowings upon maturity. Net finance costs increased in the first half of 2017, as compared with the same period in 2016, largely due to the interest and amortised issue costs of the senior notes.

Corporate overheads

Significant decrease in corporate overheads for the current interim period was the result of streamlining the organisation structure at the corporate level and reduction in various overheads.

Foreign exchange gain/loss

In the first six months of 2017, SOCAM took out several short-term foreign currency contracts in an aggregate notional amount of US$369 million to hedge against, partly, the risk of possible further depreciation of Renminbi after 2015 and 2016 with a view to reducing the potential foreign exchange loss on the Group's Renminbi-denominated assets of approximately RMB6 billion. These currency hedging contracts, when marked-to-market at the current interim period end gave rise to losses of HK$36 million as a result of the appreciation of the Renminbi against the United States dollar during the period. In addition, the weakening Hong Kong dollar against the United States dollar towards the interim period end resulted in foreign exchange loss of HK$3 million on the US$280 million senior notes issued in the second quarter of this year. These foreign exchange losses were included in "Taxation and others" in the above analysis.


King Tai Court

On the other hand, the appreciation of the Renminbi against the Hong Kong dollar brought about foreign exchange gains to the Group's property projects, including jointly developed ones, and other Renminbi-denominated assets for the current interim period, totalling HK$193 million, of which HK$61 million and HK$132 million were recognised in the condensed consolidated statement of profit or loss and the condensed consolidated statement of financial position respectively, as contrasted with the foreign exchange losses of HK$49 million and HK$106 million respectively for the same period last year.

Nanjing Scenic Villa

ASSETS BASE

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

	30 June 2017 HK$ million	31 December 2016 HK$ million
Total assets	**9,975**	9,210
Net assets	**3,769**	3,835
	HK$	HK$
Net assets per share	**7.8**	7.9

Total assets of the Group increased to HK$10.0 billion at 30 June 2017, from HK$9.2 billion at 31 December 2016, and this will be explained in the segment analysis below. The slight decrease in both net assets of the Group and net assets per share was principally attributable to the net effect of (i) HK$197 million loss for the current interim period, and (ii) increase in the translation reserve of HK$132 million as a result of the appreciation of the Renminbi against the Hong Kong dollar/United States dollar during the period.

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

	30 June 2017 HK$ million	%	31 December 2016 HK$ million	%
Property	**6,728**	**67**	6,479	70
Construction	**1,989**	**20**	1,934	21
Corporate and others	**1,258**	**13**	797	9
Total	**9,975**	**100**	9,210	100

As mentioned above, the Company issued senior notes in a total amount of US$280 million, raising net proceeds of approximately HK$2,150 million, in May and June 2017. While a substantial portion of such proceeds was applied towards repayment of the Group's bank borrowings upon maturity, part of the proceeds has been contributed to the Group's jointly developed property projects to finance their loan repayment, asset enhancement and operating needs, with the remaining cash being reserved at the interim period end for meeting the Group's financial commitments due in the third quarter of the year. Accordingly, the Group saw increases in its total assets, property assets and corporate cash over the six-month period under review.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company decreased marginally to HK$3,769 million on 30 June 2017, from HK$3,835 million on 31 December 2016, for the reasons mentioned above.

Net bank and other borrowings of the Group, which represented the total of bank borrowings and senior notes, net of bank balances, deposits and cash, amounted to HK$1,584 million on 30 June 2017, as compared with HK$1,285 million on 31 December 2016. The increase in net borrowings was mainly attributable to the advances made by the Group to its jointly developed property projects during the period concerned.

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

	30 June 2017 HK$ million	31 December 2016 HK$ million
Bank borrowings repayable:		
Within one year	**353**	1,685
After one year but within two years	**160**	398
After two years but within five years	**406**	271
Total bank borrowings	**919**	2,354
US$ senior notes due 2020	**2,146**	–
Total bank and other borrowings	**3,065**	2,354
Bank balances, deposits and cash	**(1,481)**	(1,069)
Net bank and other borrowings	**1,584**	1,285

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, increased to 42.0% at 30 June 2017, from 33.5% at 31 December 2016, mainly attributable to the combined effect of an increase in net borrowings and slight decrease in shareholders' equity during the period as explained already.

TREASURY POLICIES

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

The Group's bank borrowings are mainly denominated in Hong Kong dollars and have been arranged on a floating-rate basis. Investments in the Chinese Mainland are partly funded by capital already converted into Renminbi and partly financed by borrowings in Hong Kong dollars. Renminbi financing is primarily at project level where the sources of repayment are also Renminbi denominated. Given that income from operations in the Chinese Mainland is denominated in Renminbi and property assets in the Chinese Mainland are normally priced in Renminbi on disposal, the Group expects that the fluctuations of Renminbi in the short-term will affect the Group's business performance and financial status. During the current interim period, the Company took out currency hedging contracts in a total notional amount of approximately US$369 million to reduce potential foreign exchange risk that may arise from possible further depreciation of the Renminbi in the short-term.

It is the Group's policy not to enter into derivative transactions for speculative purposes.

EMPLOYEES

At 30 June 2017, the number of employees in the Group was approximately 1,130 (31 December 2016: 1,220) in Hong Kong and Macau, and 460 (31 December 2016: 480) 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.

FINANCIAL SECTION

Shenyang Project Phase I

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

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 22 to 41, which comprise the condensed consolidated statement of financial position as of 30 June 2017 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 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 inquiries, 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

29 August 2017

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June 2017 HK$ million (unaudited)	 2016 HK$ million (unaudited)
Turnover			
The Company and its subsidiaries		**3,167**	2,463
Share of joint ventures/associates		**421**	894
		3,588	3,357
Group turnover	3	**3,167**	2,463
Other income and gains		**192**	36
Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold		**(346)**	(466)
Raw materials and consumables used		**(222)**	(163)
Staff costs		**(335)**	(345)
Depreciation		**(4)**	(6)
Subcontracting, external labour costs and other expenses		**(2,316)**	(1,653)
Fair value changes on investment properties		**(18)**	(27)
Dividend income from available-for-sale investments		**1**	1
Finance costs	4	**(108)**	(97)
Share of results of joint ventures		**(179)**	(385)
Share of results of associates		**(7)**	(75)
Loss before taxation		**(175)**	(717)
Taxation	5	**(8)**	18
Loss for the period	6	**(183)**	(699)
Attributable to:			
Owners of the Company		**(197)**	(711)
Non-controlling interests		**14**	12
		(183)	(699)
Loss per share	8		
Basic		**HK$(0.41)**	HK$(1.47)
Diluted		**HK$(0.41)**	HK$(1.47)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2017 **HK$ million** **(unaudited)**	2016 HK$ million (unaudited)
Loss for the period	**(183)**	(699)
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
Fair value changes of available-for-sale investments	**6**	(5)
Exchange differences arising on translation of financial statements of foreign operations	**193**	(128)
Share of exchange differences of joint ventures	**(61)**	24
Share of exchange differences of associates	**–**	(2)
Reclassification adjustments for amounts transferred to profit or loss:		
– upon deregistration of a subsidiary	**(7)**	–
Other comprehensive income (expense) for the period	**131**	(111)
Total comprehensive expense for the period	**(52)**	(810)
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(66)**	(822)
Non-controlling interests	**14**	12
	(52)	(810)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2017 HK$ million (unaudited)	31 December 2016 HK$ million (audited)
Non-current Assets			
Investment properties		**1,787**	1,752
Property, plant and equipment		**21**	23
Interests in joint ventures		**114**	118
Available-for-sale investments		**56**	50
Club memberships		**1**	1
Amounts due from joint ventures		**1,744**	1,399
Amounts due from associates		**1,297**	1,294
Restricted bank deposits		**137**	–
		5,157	4,637
Current Assets			
Properties held for sale		**214**	213
Properties under development for sale		**67**	65
Debtors, deposits and prepayments	9	**1,939**	1,877
Amounts due from customers for contract work		**184**	374
Amounts due from joint ventures		**762**	689
Amounts due from associates		**304**	272
Amounts due from related companies		**–**	1
Taxation recoverable		**4**	4
Restricted bank deposits		**151**	482
Bank balances, deposits and cash		**1,193**	587
		4,818	4,564
Assets classified as held for disposal		**–**	9
		4,818	4,573

	Notes	30 June 2017 HK$ million (unaudited)	31 December 2016 HK$ million (audited)
Current Liabilities			
Creditors and accrued charges	11	**1,945**	1,992
Sales deposits received		**1**	13
Derivative financial instruments	10	**36**	–
Amounts due to customers for contract work		**376**	223
Amounts due to joint ventures		**107**	106
Amounts due to associates		**1**	1
Amounts due to related companies		**369**	374
Amounts due to non-controlling shareholders of subsidiaries		**12**	14
Taxation payable		**48**	35
Bank borrowings due within one year	12	**353**	1,685
		3,248	4,443
Net Current Assets		**1,570**	130
Total Assets Less Current Liabilities		**6,727**	4,767
Capital and Reserves			
Share capital	14	**484**	484
Reserves		**3,285**	3,351
Equity attributable to owners of the Company		**3,769**	3,835
Non-controlling interests		**32**	37
		3,801	3,872
Non-current Liabilities			
Bank borrowings	12	**566**	669
Senior notes	13	**2,146**	–
Defined benefit liabilities		**102**	112
Deferred tax liabilities		**112**	114
		2,926	895
		6,727	4,767

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company												
	Share capital HK$ million	Share premium account HK$ million	Translation reserve HK$ million	Contributed surplus (Note a) HK$ million	Goodwill HK$ million	Accumulated losses HK$ million	Share option reserve HK$ million	Actuarial gain and loss HK$ million	Investment revaluation reserve HK$ million	Other reserve (Note b) HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total Equity HK$ million
At 1 January 2017	484	3,172	131	197	(3)	(391)	24	(66)	–	287	3,835	37	3,872
Fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	6	–	6	–	6
Exchange differences arising on translation of financial statements of foreign operations	–	–	193	–	–	–	–	–	–	–	193	–	193
Share of exchange differences of joint ventures	–	–	(61)	–	–	–	–	–	–	–	(61)	–	(61)
Deregistration of a subsidiary	–	–	(7)	–	–	–	–	–	–	–	(7)	–	(7)
Loss for the period	–	–	–	–	–	(197)	–	–	–	–	(197)	14	(183)
Total comprehensive income (expense) for the period	–	–	125	–	–	(197)	–	–	6	–	(66)	14	(52)
Transfer upon lapse of share options	–	–	–	–	–	1	(1)	–	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(19)	(19)
At 30 June 2017	**484**	**3,172**	**256**	**197**	**(3)**	**(587)**	**23**	**(66)**	**6**	**287**	**3,769**	**32**	**3,801**

	Attributable to owners of the Company												
	Share capital HK$ million	Share premium account HK$ million	Translation reserve HK$ million	Contributed surplus (Note a) HK$ million	Goodwill HK$ million	Retained profits HK$ million	Share option reserve HK$ million	Actuarial gain and loss HK$ million	Investment revaluation reserve HK$ million	Other reserve (Note b) HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total Equity HK$ million
At 1 January 2016	484	3,172	450	197	(3)	967	47	(84)	9	303	5,542	38	5,580
Fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	(5)	–	(5)	–	(5)
Exchange differences arising on translation of financial statements of foreign operations	–	–	(128)	–	–	–	–	–	–	–	(128)	–	(128)
Share of exchange differences of joint ventures	–	–	24	–	–	–	–	–	–	–	24	–	24
Share of exchange differences of associates	–	–	(2)	–	–	–	–	–	–	–	(2)	–	(2)
Loss for the period	–	–	–	–	–	(711)	–	–	–	–	(711)	12	(699)
Total comprehensive (expense) income for the period	–	–	(106)	–	–	(711)	–	–	(5)	–	(822)	12	(810)
Recognition of share-based payments	–	–	–	–	–	–	1	–	–	–	1	–	1
Transfer upon lapse of share options	–	–	–	–	–	18	(18)	–	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(16)	(16)
At 30 June 2016	484	3,172	344	197	(3)	274	30	(84)	4	303	4,721	34	4,755

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 (2016: HK$231 million) recognised in prior years, which arose when the Group entered into agreements with Shui On Company Limited ("SOCL"), the Company's substantial shareholder, to co-invest in Shui On Land Limited during the year ended 31 March 2005; (ii) an amount of HK$16 million (2016: HK$19 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 (iii) an amount of HK$22 million (2016: HK$21 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	
	2017 HK$ million (unaudited)	2016 HK$ million (unaudited)
Net cash from (used in) operating activities		
Operating cash flows before movements in working capital	**37**	(109)
Decrease in amounts due from customers for contract work	**189**	26
(Decrease) increase in sales deposits received in respect of properties for sale	**(13)**	21
Decrease in creditors and accrued charges	**(26)**	(311)
Movements in other working capital	**30**	66
Tax paid	**(2)**	(229)
	215	(536)
Net cash (used in) from investing activities		
Advances to joint ventures	**(423)**	(292)
Advances to associates	**–**	(160)
Net proceeds from disposal of an associate classified as held for disposal (note a)	**–**	331
Net proceeds from disposal of a property inventory through disposal of a subsidiary (note b)	**–**	403
Sales deposits received in respect of disposal of investment properties classified as held for disposal	**–**	114
Restricted bank deposits refunded	**337**	278
Restricted bank deposits placed	**(141)**	(168)
Other investing cash flows	**11**	73
	(216)	579
Net cash from (used in) financing activities		
New bank and other loans raised	**255**	1,113
Repayment of bank loans	**(1,702)**	(1,413)
Issue of senior notes	**2,186**	–
Expenditure incurred on issue of senior notes	**(41)**	–
Interest paid	**(71)**	(89)
Other financing cash flows	**(26)**	(19)
	601	(408)
Net increase (decrease) in cash and cash equivalents	**600**	(365)
Cash and cash equivalents at the beginning of the period	**587**	1,440
Effect of foreign exchange rate changes	**6**	(10)
Cash and cash equivalents at the end of the period	**1,193**	1,065
Analysis of the balances of cash and cash equivalents		
Bank balances, deposits and cash	**1,193**	1,065

Notes:

(a) During the six months period ended 30 June 2016, the Group disposed of 20% interest in an associate, which indirectly owns a property development project in Shenyang and was classified as held for disposal. Accordingly, the net cash inflow of approximately HK$331 million arising therefrom was included in cash flows from investing activities as such disposal was effected through disposal of an associate, rather than operating activities.

(b) During the six months period ended 30 June 2016, the Group disposed of a property asset classified as properties under development for sale under current assets, through disposal of equity interest in a subsidiary holding this property asset. According to HKAS 7 "Statement of Cash Flows", as such disposal was effected through disposal of a subsidiary, the net cash inflow of approximately HK$403 million arising therefrom was included in cash flows from investing activities, rather than operating activities.

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2017 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 2017 and 31 December 2016 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 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except as described below:

– senior notes are subsequently measured at amortised cost, using the effective interest method. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method; and

– derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

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 2017. 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.

3. 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

3. SEGMENT INFORMATION (CONTINUED)

(a) Reportable segment revenue and profit or loss

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

For the six months ended 30 June 2017

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Sales of goods	9	–	–	9
Rental income	6	–	–	6
Revenue from rendering of services	8	–	–	8
Construction contract revenue	–	3,144	–	3,144
Group's revenue from external customers	23	3,144	–	3,167
Share of joint ventures/associates' revenue	407	–	14	421
Total segment revenue	430	3,144	14	3,588
Reportable segment results	(68)	52	9	(7)
Segment results have been arrived at after crediting (charging):				
Depreciation	(1)	(2)	–	(3)
Interest income	142	2	–	144
Fair value changes on investment properties	(18)	–	–	(18)
Dividend income from available-for-sale investments	1	–	–	1
Share of results of joint ventures				
Property development	(176)	–	–	(176)
Other operations in Guizhou	–	–	3	3
Venture capital investments	–	–	(6)	(6)
				(179)
Share of results of associates				
Property development	(7)	–	–	(7)

3. SEGMENT INFORMATION (CONTINUED)

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

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)
Segment results have been arrived at after crediting (charging):				
Depreciation	(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)

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 2017

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
Reportable segment assets	**7,002**	**2,330**	**1,556**	**10,888**
Reportable segment liabilities	**1,068**	**1,977**	**885**	**3,930**

At 31 December 2016

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
Reportable segment assets	6,840	2,275	1,096	10,211
Reportable segment liabilities	939	1,993	995	3,927

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

	Six months ended 30 June	
	2017 HK$ million	2016 HK$ million
Revenue		
Reportable segment revenue	**3,588**	3,357
Elimination of share of revenue of joint ventures/associates	**(421)**	(894)
Consolidated turnover	**3,167**	2,463

	Six months ended 30 June	
	2017 HK$ million	2016 HK$ million
Loss before taxation		
Reportable segment loss before taxation	**(7)**	(581)
Unallocated other income	**2**	1
Finance costs	**(108)**	(97)
Other unallocated corporate expenses	**(62)**	(40)
Consolidated loss before taxation	**(175)**	(717)

3. SEGMENT INFORMATION (CONTINUED)

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

	30 June 2017 HK$ million	31 December 2016 HK$ million
Assets		
Reportable segment assets	**10,888**	10,211
Elimination of inter-segment receivables	**(917)**	(1,005)
Other unallocated assets	**4**	4
Consolidated total assets	**9,975**	9,210

	30 June 2017 HK$ million	31 December 2016 HK$ million
Liabilities		
Reportable segment liabilities	**3,930**	3,927
Elimination of inter-segment payables	**(917)**	(1,005)
Unallocated liabilities		
– Bank borrowings	**717**	2,155
– Senior notes	**2,146**	–
– Derivative financial instruments	**36**	–
– Taxation and others	**262**	261
Consolidated total liabilities	**6,174**	5,338

4. FINANCE COSTS

	Six months ended 30 June	
	2017 HK$ million	2016 HK$ million
Interest on bank and other loans	**85**	89
Interest on senior notes	**18**	–
Other borrowing costs	**5**	8
	108	97

5. TAXATION

	Six months ended 30 June	
	2017 HK$ million	2016 HK$ million
The charge (credit) comprises:		
Current taxation		
Hong Kong Profits Tax	**11**	9
PRC Enterprise Income Tax	**2**	14
PRC Land Appreciation Tax	**–**	37
	13	60
Deferred taxation	**(5)**	(78)
	8	(18)

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax is calculated at 25% (2016: 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	
	2017 HK$ million	2016 HK$ million
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**4**	6
Cost of properties sold	**5**	503
Fair value loss on derivative financial instruments	**36**	–
Impairment loss on trade and other receivables	**–**	21

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend (2016: Nil) for the six months ended 30 June 2017.

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	
	2017	2016
	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	**(197)**	(711)
	Million	Million
Number of shares:		
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 2017 and 30 June 2016 does not assume the exercise of the Company's share options, because this would result in a decrease in loss per share.

9. 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 sale and purchase agreements or invoice date, as appropriate) at the end of the reporting period as follows:

	30 June 2017 HK$ million	31 December 2016 HK$ million
Trade debtors aged analysis (note a):		
Not yet due or within 90 days	**714**	761
91 days to 180 days	**8**	–
181 days to 360 days	**–**	–
Over 360 days	**1**	3
	723	764
Retention receivable (note b)	**316**	263
Prepayments, deposits and other receivables (note c)	**900**	850
	1,939	1,877

9. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes:

(a) Included in the trade debtors are receivables of HK$11 million (31 December 2016: HK$18 million), which are aged over 180 days, based on the date on which revenue was recognised.

(b) The balances include retention receivable of HK$121 million (31 December 2016: HK$128 million), which is due after one year from the end of the reporting period.

(c) Included in prepayments, deposits and other receivables at 30 June 2017 are receivables of HK$436 million (31 December 2016: HK$423 million) due from CCP's former subsidiary group (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$138 million (31 December 2016: HK$134 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$161 million) (31 December 2016: RMB140 million (approximately HK$157 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, and a court order was issued in 2016 to request the Debtor to preserve certain assets, in a value capped at RMB122 million, in the course of a legal proceeding on the recovery of an offshore loan receivable of US$12 million against the Debtor, the Directors of the Company believe that these receivables will be fully settled and the guarantee provided by the Company will be fully 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.

10. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2017 HK$ million	31 December 2016 HK$ million
Measured at fair value and included in the condensed consolidated statement of financial position as current liabilities		
Foreign currency contracts	**36**	–

During the six months ended 30 June 2017, the Group entered into certain foreign currency contracts, which have not been designated as hedging instruments for accounting purposes, to reduce the risk of currency exchange fluctuation of the Group's foreign currency denominated assets.

The fair value of derivative financial instruments falls under level 2 of the fair value hierarchy and is estimated based on valuation of the instruments provided by the counterparty banks. A fair value loss of HK$36 million was recognised in the condensed consolidated statement of profit or loss for the current period (2016: Nil).

11. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors (based on invoice date) of HK$357 million (31 December 2016: HK$604 million), which are included in the Group's creditors and accrued charges, is as follows:

	30 June 2017 HK$ million	31 December 2016 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**248**	448
31 days to 90 days	**13**	57
91 days to 180 days	**2**	9
Over 180 days	**94**	90
	357	604
Retention payable	**355**	348
Provision for contract work/construction cost	**878**	812
Other accruals and payables	**355**	228
	1,945	1,992

12. BANK BORROWINGS

During the six months ended 30 June 2017, the Group raised new bank borrowings totalling HK$255 million (2016: HK$1,113 million), repaid bank borrowings totalling HK$1,702 million (2016: HK$1,413 million), and renewed existing credit facilities totalling HK$517 million (2016: HK$484 million). New and renewed bank loan facilities of the Group carry interest at approximately 3.47% to 4.47% (2016: 3.26% to 15%) per annum.

13. SENIOR NOTES

	30 June 2017 HK$ million	31 December 2016 HK$ million
At the beginning of the period/year	**–**	–
Issue of new senior notes	**2,186**	–
Less: Transaction costs directly attributable to issue	**(41)**	–
Interest charged during the period/year	**18**	–
Less: Interest payable reclassified under other payables	**(21)**	–
Exchange adjustments	**4**	–
At the end of the period/year	**2,146**	–

On 8 May 2017, the Company issued US$200 million senior notes to independent third parties with a maturity of three years due on 8 May 2020 (the "Original Senior Notes"). The Original Senior Notes bear coupon at 6.25% per annum payable semi-annually in arrears.

On 12 June 2017, the Company issued US$80 million additional senior notes to independent third parties maturing on 8 May 2020 (the "Additional Senior Notes"), which bear coupon at 6.25% per annum payable semi-annually in arrears. The Additional Senior Notes were consolidated and formed a single series with the Original Senior Notes with the same terms and conditions of the Original Senior Notes, except for the issue date and the issue price.

Principal terms of the senior notes

The senior notes are:

(a) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the senior notes;

(b) ranked at least pari passu in right of payment with all other unsecured and unsubordinated indebtedness of the Company (subject to any priority rights of such unsecured and unsubordinated indebtedness pursuant to applicable law);

(c) effectively subordinated to the secured obligations of the Company, to the extent of the value of the assets serving as security therefor; and

(d) effectively subordinated to all existing and future obligations of the subsidiaries of the Company.

At any time and from time to time prior to 8 May 2020, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus the Applicable Premium (see the definition below), and accrued and unpaid interest, if any, to (but not including) the redemption date. In the opinion of the Directors of the Company, the fair value of the option to early redeem the senior notes is insignificant at initial recognition and at the end of the reporting period.

13. SENIOR NOTES (CONTINUED)

Principal terms of the senior notes (continued)

"Applicable Premium" means with respect to the senior notes at any redemption date, the greater of (1) 1.00% of the principal amount of the senior notes and (2) the excess of (A) the present value at such redemption date of (i) the principal amount of the senior notes on the maturity date of the senior notes, plus (ii) all required remaining scheduled interest payments due on the senior notes through the maturity date of the senior notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of the senior notes on such redemption date.

At any time and from time to time prior to 8 May 2020, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net proceeds from any private placement or public offering of the common stock of the Company at a redemption price of 106.25% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In the opinion of the Directors of the Company, the fair value of the option to early redeem the senior notes is insignificant at initial recognition and at the end of the reporting period.

14. SHARE CAPITAL

	30 June 2017 Number of shares	31 December 2016 Number of shares	**30 June 2017 HK$ million**	31 December 2016 HK$ million
Ordinary shares of HK$1 each:				
Authorised				
At the beginning and the end of the period/year	**1,000,000,000**	1,000,000,000	**1,000**	1,000
Issued and fully paid				
At the beginning and the end of the period/year	**484,410,164**	484,410,164	**484**	484

15. CAPITAL COMMITMENTS

At 30 June 2017, the Group had no significant capital commitments (31 December 2016: Nil).

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 2017	**9,672,000**
Exercised during the period	**–**
Lapsed during the period	**(400,000)**
Outstanding at 30 June 2017	**9,272,000**

17. CONTINGENT LIABILITIES

At 30 June 2017, 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$96 million) (31 December 2016: RMB83 million (HK$93 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$1,164 million (31 December 2016: HK$1,292 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$20 million) (31 December 2016: RMB18 million (HK$20 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 9(c) 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 2017, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$624 million) at 30 June 2017 (31 December 2016: RMB542 million (HK$606 million)) and the related interest amounting to RMB380 million (HK$438 million) (31 December 2016: RMB347 million (HK$388 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.

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.

	Six months ended 30 June	
Nature of transactions	**2017 HK$ million**	2016 HK$ million
SOCL and its subsidiaries		
Dividend income	**1**	1
Interest expenses	**14**	–
Rental expenses	**1**	1

18. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
Nature of transactions	**2017 HK$ million**	2016 HK$ million
Interest income	**131**	10
Imputed interest income	**5**	5
Management fee income	**9**	10
Interest expenses	**12**	12

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

	Six months ended 30 June	
Nature of transactions	**2017 HK$ million**	2016 HK$ million
Interest income	**17**	18
Imputed interest income	**11**	11

(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 ended 30 June 2016, the Group paid consultancy fee of HK$1 million to Mr. Gerrit Jan de Nyes, a former Non-executive Director of the Company, for providing certain consultancy services to the Company.

(f) 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	
	2017 HK$ million	2016 HK$ million
Fees	**1**	1
Salaries and other benefits	**12**	15
Bonuses	**3**	5
Retirement benefit scheme contributions	**1**	1
Other service fees	**–**	1
	17	23

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.

18. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(g) The emoluments paid or payable to each of the seven (2016: seven) Directors which were included in note (f) above are set out as follows:

Name of Director	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Share Based Payments HK$'000	Six months ended 30 June 2017 Total HK$'000	2016 Total HK$'000
Mr. Lo Hong Sui, Vincent		5	–	–	–	**5**	5
Mr. Wong Yuet Leung, Frankie	(i)	5	3,391	–	–	**3,396**	–
Mr. Tsang Kwok Tai, Moses	(ii)	158	–	–	–	**158**	125
Mr. Gerrit Jan de Nys	(ii) & (iv)	70	–	–	–	**70**	976
Ms. Li Hoi Lun, Helen	(iii)	242	–	–	–	**242**	242
Mr. Chan Kay Cheung	(iii)	298	–	–	–	**298**	298
Mr. William Timothy Addison	(iii) & (v)	215	–	–	–	**215**	26
Mr. Wong Fook Lam, Raymond	(vi)	–	–	–	–	**–**	2,395
		993	3,391	–	–	**4,384**	4,067

Notes:

(i) Mr. Wong Yuet Leung, Frankie was appointed as an Executive Director, the Chief Executive Officer and Chief Financial Officer with effect from 1 January 2017.

(ii) Non-executive Directors.

(iii) Independent Non-executive Directors.

(iv) Mr. Gerrit Jan de Nys resigned as a Non-executive Director with effect from 1 March 2017. He provided certain consultancy services to the Company during the six months period ended 30 June 2016, in return for a fee.

(v) Mr. William Timothy Addison was appointed as an Independent Non-executive Director with effect from 25 May 2016.

(vi) Mr. Wong Fook Lam, Raymond retired as the Managing Director and Chief Financial Officer with effect from 1 January 2017.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

At 30 June 2017, the Group's available-for-sale investments and derivative financial instruments were measured at fair value. The fair value of the available-for-sale investments was classified as level 1 fair value measurement and was derived from unadjusted quoted prices available on The Stock Exchange of Hong Kong Limited (active market) and the fair value of the derivative financial instruments was classified as level 2 fair value measurement and was derived from inputs other than quoted prices that were observable for the asset or liability, either directly or indirectly.

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.

20. EVENTS AFTER THE REPORTING PERIOD

On 24 July 2017, the joint venture partner of the Group's 81%-owned joint venture exercised the put option requiring the Group to acquire all of the shares in the joint venture owned by it for a total consideration of US$19 in accordance with the terms of the shareholders' agreement. This joint venture indirectly owns a property development project in Chengdu. Completion of the transaction took place on the same date, following which this joint venture has become an indirect wholly-owned subsidiary of the Company. The Company is in the process of quantifying the financial impact of the transaction. Since the fair values of the identifiable assets (which mainly consist of property assets) and liabilities of this joint venture at the date of completion have yet to be finalised, the Company cannot determine the effect of the transaction on the results and financial position of the Group with reasonable certainty at this stage. Details of the transaction are set out in an announcement of the Company dated 24 July 2017.

DISCLOSURE UNDER RULES 13.20 AND 13.22 OF THE LISTING RULES

Financial assistance and guarantees provided by the Group to its affiliated companies amounted to HK$4,719 million at 30 June 2017, details of which are as follows:

		Balance at 30 June 2017			
		Unsecured loans			
Affiliated companies	Approximate effective percentage of interest	Interest free with no fixed repayment terms HK$ million	Interest bearing with no fixed repayment terms HK$ million (Note a)	Guarantee HK$ million	Total HK$ million
Cosy Rich Limited	50%	**503**	**–**	**311**	**814**
Gracious Spring Limited	81%	**–**	**1,301**	**339**	**1,640**
Lamma Yue Jie Company Limited	60%	**6**	**–**	**–**	**6**
Nanjing Jiangnan Cement Co., Ltd.	60%	**68**	**–**	**–**	**68**
Richcoast Group Limited	28%	**496**	**801**	**577**	**1,874**
Win Lead Holdings Limited	50%	**264**	**–**	**53**	**317**
		1,337	**2,102**	**1,280**	**4,719**

The pro forma combined statement of financial position of the above affiliated companies at 30 June 2017 is as follows:

	HK$ million
Non-current assets	**10,331**
Current assets	**8,803**
Current liabilities	**(10,300)**
Net current liabilities	**(1,497)**
Non-current liabilities	**(10,545)**
Non-controlling interests	**(501)**
Shareholders' deficits	**(2,212)**

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%
Richcoast Group Limited	5% on a total amount of HK$242 million, and 110% of the prevailing 1 year base lending rate published by the People's Bank of China on the remaining balance

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

GENERAL INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At 30 June 2017, the interests of the Directors and chief executive of the Company in the 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:

Long positions in shares of the Company

	Number of shares				Approximate percentage of issued shares (Note 1)
Name of Director	Personal interests	Family interests	Other interests	Total	
Mr. Lo Hong Sui, Vincent	–	312,000 (Note 2)	234,381,000 (Note 3)	234,693,000	48.44%
Mr. Wong Yuet Leung, Frankie	3,928,000	–	–	3,928,000	0.81%

Notes:

1. Based on 484,410,164 shares of the Company in issue at 30 June 2017.
2. These shares were beneficially owned by Ms. Loletta Chu ("Mrs. Lo"), the spouse of Mr. Lo Hong Sui, Vincent ("Mr. Lo"). Under the SFO, Mr. Lo was deemed to be interested in such shares and both Mr. Lo and Mrs. Lo were also deemed to be interested in 234,381,000 shares mentioned in Note 3 below.
3. These shares were beneficially owned by Shui On Company Limited ("SOCL"). Of these 234,381,000 shares beneficially owned by SOCL, 232,148,000 shares were held by SOCL itself and 2,233,000 shares were held by Shui On Finance Company Limited, an indirect wholly-owned subsidiary of SOCL. SOCL was owned by the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was one of the discretionary beneficiaries and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.

Save as disclosed above, at 30 June 2017, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

At 30 June 2017, the following substantial shareholder (not being a Director or chief executive of the Company or his/her respective associate(s)) had interests in the shares and 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:

Name of shareholder	Capacity	Number of shares/ underlying shares	Approximate percentage of issued shares (Note 1)
Penta Investment Advisers Limited	Investment manager	67,785,839 (L) (Note 2)	13.99%

Notes:

1. Based on 484,410,164 shares of the Company in issue at 30 June 2017.
2. It included the interests held by this shareholder in 11,582,552 underlying shares of the Company, representing approximately 2.39% of the issued shares of the Company, pursuant to certain unlisted cash settled derivatives.
3. The letter "L" denotes a long position.

Save as disclosed above and under the foregoing section headed "Interests of Directors and Chief Executive", at 30 June 2017, no interests or short positions of substantial shareholders and other persons in the shares and underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTIONS

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

The movements in the share options of the Company during the six months ended 30 June 2017 are set out as follows:

			Number of shares subject to options						
Name or category of eligible participant(s)	Date of grant	Subscription price per share HK$	At 1.1.2017	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	At 30.6.2017	Period during which the options are exercisable (Note 1)
Former Director									
Mr. Wong Fook Lam, Raymond (retired on 1 January 2017) (Note 2)	12.4.2010	12.22	700,000	–	–	–	–	700,000	12.4.2013 to 11.4.2020
Sub-total			700,000	–	–	–	–	700,000	
Employees (in aggregate)	28.7.2011	10.00	2,318,000	–	–	–	–	2,318,000	1.5.2015 to 27.7.2021
	26.11.2012	8.18	3,044,000	–	–	(230,000)	–	2,814,000	26.5.2013 to 25.11.2017
	14.6.2013	9.93	3,610,000	–	–	(170,000)	–	3,440,000	14.12.2013 to 13.6.2018
Sub-total			8,972,000	–	–	(400,000)	–	8,572,000	
Total			9,672,000	–	–	(400,000)	–	9,272,000	

Notes:

1. The share options granted on 28 July 2011, 26 November 2012 and 14 June 2013 are exercisable by the eligible participants during the exercise period in accordance with the schedules as set out in the respective offer letters.
2. In accordance with the terms of the Old Scheme and subject to the terms of the relevant offer letter, the outstanding share option held by Mr. Wong Fook Lam, Raymond remains exercisable within a period of 12 months from the date of his retirement.

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 2017.

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

At the date of publication of this Interim Report, the Board comprises five members, including two Executive Directors and three 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 current member lists of the Board and its various Committees are set out in the Corporate Information section of this Interim Report.

Audit Committee

The principal responsibilities of the Audit Committee include the review of both the Group's consolidated financial statements and the effectiveness of its risk management and internal control systems. The Audit Committee also oversees the engagement of the external auditor and reviews its independence as well as the effectiveness of the audit process.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017, 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

The Remuneration Committee is responsible for making recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. It is also given the tasks to determine the remuneration package of individual Executive Director, and review and approve performance-based remuneration of Executive Directors with reference to the corporate goals and objectives.

Nomination Committee

The Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board composition to meet the needs of the Company. Its duties also include making recommendations to the Board on the appointment or re-appointment of Directors and membership of the Board Committees, regularly reviewing the time required from a Director to perform his/her responsibilities and assessing the independence of the Independent Non-Executive Directors.

Finance Committee

The Finance Committee is responsible for reviewing the Group's financial strategies, compliance of the finance policy and bank loan covenants, as well as monitoring the overall banking relationship and the cash flow position of the Group.

Investment Committee

The Investment Committee is responsible for assessing investment and disposal recommendations on property projects of the Group and reviewing its overall investment/divestment strategy.

Executive Committee

The Executive Committee reviews, 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 2017, 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 remuneration proposals for management with reference to the Board's corporate goals and objectives. The Remuneration Committee has reviewed its functions and considered that these responsibilities in relation to the remuneration and compensation of management should be vested in the Executive Directors who have a better understanding of the level of expertise, experience and performance expected of the management in the daily business operations of the Group. The Remuneration Committee would continue to be primarily responsible for the review and determination of the remuneration package of the individual Executive Director. After due consideration, the Board adopted the revised terms of reference of the Remuneration Committee with the said responsibilities in relation to the remuneration and compensation of management excluded from its scope of duties, which deviates from code provision B.1.2. Notwithstanding such deviation, the Remuneration Committee is still responsible for reviewing, approving and making recommendations to the Board on the guiding principles applicable to the determination of the remuneration packages of senior management.

Having reviewed the practices and procedures of remuneration committees in other jurisdictions, the Remuneration Committee decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration. Such recommendations were made to the Board by the Chairman of the Company, taking the advice of external professionals as appropriate. This practice was formally adopted, and the Board approved the amendment to the terms of reference of the Remuneration Committee in this respect, which 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 family reasons, the Chairman of the Board did not attend the annual general meeting of the Company held on 26 May 2017. In his absence, the Executive Director, Chief Executive Officer 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 2017.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Pursuant to a written agreement (the "Indenture") entered into between the Company as issuer and Citicorp International Limited as trustee on 8 May 2017, the US$280 million 6.25% senior notes due 2020 (the "Notes") were issued by the Company. The Indenture provides that, upon the occurrence of a Change of Control (as defined in the Indenture), the Company will make an offer to repurchase all outstanding Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details about the Notes were set out in the announcements of the Company dated 27 April 2017 and 5 June 2017.

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 biographical details of the Directors of the Company since publication of its 2016 Annual Report are set out as follows:

Name of Director	Details of changes
Ms. Li Hoi Lun, Helen	• Service contract for serving as an Independent Non-executive Director of the Company renewed for a term of two years commencing from 28 August 2017
Mr. Chan Kay Cheung	• Ceased to act as the Chairman of Shaanxi Fuping BEA Rural Bank Corporation with effect from 22 May 2017 • Retired as a Senior Advisor of The Bank of East Asia, Limited with effect from 1 June 2017

Details about the emoluments of the Directors of the Company for the six months ended 30 June 2017 are set out in note 18 to the condensed consolidated financial statements.

CORPORATE INFORMATION

BOARD#

Executive Directors

Mr. Lo Hong Sui, Vincent (Chairman)
Mr. Wong Yuet Leung, Frankie
(Chief Executive Officer and Chief Financial Officer)

Independent Non-executive Directors

Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. William Timothy Addison

AUDIT COMMITTEE

Mr. Chan Kay Cheung (Chairman)
Ms. Li Hoi Lun, Helen
Mr. William Timothy Addison

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

FINANCE COMMITTEE#

Mr. Wong Yuet Leung, Frankie (Chairman)
Mr. Chan Kay Cheung
Mr. William Timothy Addison

INVESTMENT COMMITTEE

Mr. Wong Yuet Leung, Frankie (Chairman)
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. William Timothy Addison

EXECUTIVE COMMITTEE

Mr. Wong Yuet Leung, Frankie (Chairman)
Mr. Lo Hong Sui, Vincent
Other key executives

COMPANY SECRETARY

Ms. Chan Yeuk Ho, Karen

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) 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
Shanghai Commercial Bank Limited
BNP Paribas

STOCK CODES

Shares: 983
Senior Notes: 4518

WEBSITE

www.socam.com

Mr. Tsang Kwok Tai, Moses did not stand for re-appointment as the Non-executive Director of the Company upon expiration of the term of his service contract on 7 September 2017, and stepped down from the Board as well as the Finance Committee with effect from 8 September 2017.

瑞安建業
SOCAM DEVELOPMENT

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立的有限公司)

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