瑞安建業
SOCAM DEVELOPMENT

Stock Code 股份代號：983

REVITALISE FOR PROFITABILITY

重整業務 向前邁進

Interim Report
中期報告
2018

ABOUT SOCAM

Listed on the Hong Kong Stock Exchange in 1997, SOCAM Development Limited is principally engaged in property and construction businesses, with operations spanning the Chinese Mainland, Hong Kong and Macau.

CORPORATE VALUES

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

integrity quality innovation excellence

SHUI ON – WE CARE

SOCAM adheres to its corporate social responsibility commitment as we play our part in giving back to society and serving the community. We provide employees with an environment where they can grow and excel, as well as enhance personal wellbeing. On-site, we regard safety as paramount. The Group is also committed to taking every measure to protect the environment.

A member of the Shui On Group

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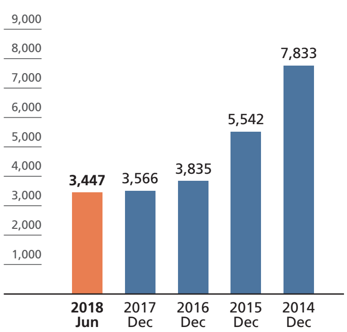
FINANCIAL HIGHLIGHTS

HK$ million	Six months ended 30 June 2018	2017	2016	2015 (Re-presented)	2014
Turnover					
SOCAM and subsidiaries	**3,496**	3,167	2,463	2,786	2,765
Share of joint ventures and associates	**17**	421	894	298	2,123
Total	**3,513**	3,588	3,357	3,084	4,888
Loss attributable to shareholders	**(79)**	(197)	(711)	(629)	(573)
Basic loss per share	**(HK$0.16)**	(HK$0.41)	(HK$1.47)	(HK$1.30)	(HK$1.18)
	At 30 June	At 31 December			
Total assets (HK$ billion)	**11.5**	12.0	9.2	12.3	18.5
Net assets (HK$ billion)	**3.4**	3.6	3.8	5.5	7.8
Net asset value per share (HK$)	**7.12**	7.36	7.92	11.44	16.17
Net gearing	**58.0%**	53.6%	33.5%	21.0%	53.7%

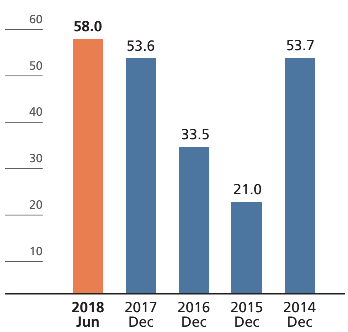
Equity Attributable to Shareholders of the Company

HK$ million



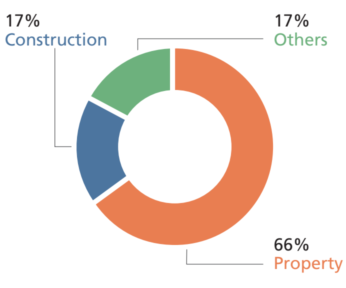
Net Gearing

Percentage



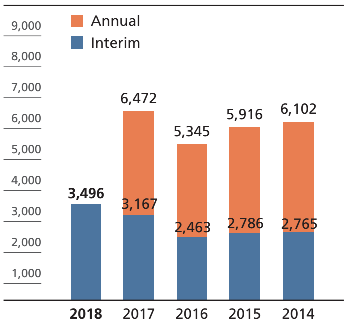
Assets Employed

At 30 June 2018



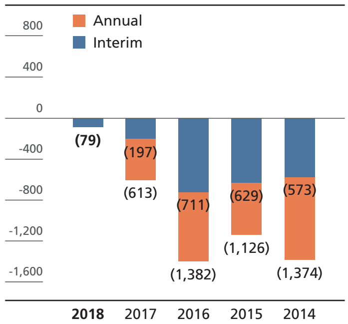
Turnover

HK$ million



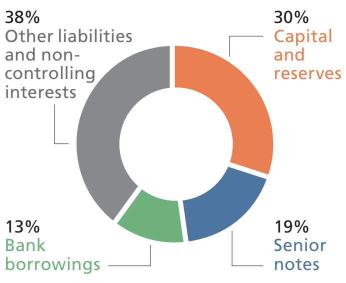
Loss Attributable to Shareholders of the Company

HK$ million



Capital and Liabilities

At 30 June 2018



MANAGEMENT DISCUSSION AND ANALYSIS

SOCAM's strategy is to accelerate the enhancement of the Group's assets and improve results by revitalising its businesses and properties, with a medium-term objective of creating greater value for shareholders.

MARKET ENVIRONMENT

The economies of the Group's markets, namely the Chinese Mainland, Hong Kong and Macau performed relatively strongly during the first half of 2018. This reflected solid economic growth globally, especially in the US, and came about despite two increases in interest rates by the Federal Reserve and the emergence of tension between the US and its major trading partners over tariffs.

In the first quarter of 2018, China's Gross Domestic Product (GDP) maintained a 6.8% year-on-year growth rate, slowing slightly to 6.7% in the second quarter[1]. This is the weakest pace of expansion since the third quarter of 2016, but reflects the Central Government's stated aim to slow growth to around 6.5% as it continues its efforts to deleverage, contain debt and address financial risks. In response to the trade tensions, the Renminbi began weakening in the second quarter of 2018, depreciating by 1.7% during the first six months of the year against the US dollar. The pace of depreciation has quickened since June.

Hong Kong saw strong momentum continue into 2018. GDP grew by 4.6% year-on-year in the first quarter of 2018, up from 3.4% in the preceding quarter[2]. Growth slowed to 3.5% in the second quarter, but it still marked the seventh consecutive quarter of growth above the trend growth rate of 2.7% per annum in the past ten years. The rebound in the first six months was led by private consumption, as the retail environment and property sector improved.

IMPROVED RESULTS

SOCAM's strategy is to accelerate the enhancement of the Group's assets and improve results by revitalising its businesses and properties, with a medium-term objective of creating greater value for shareholders.

In the first half of 2018, we made steady progress on this strategy, with an improvement in revenue and results. The improvement came on the back of a number of corporate successes and business developments, including the disposal of the Group's stake in Dalian Tiandi at the end of 2017, the sales launch of the Chengdu Centropolitan SOHO tower and a higher contribution from the Group's construction business. Group revenue for the first six-month period in 2018 increased by 10.4% to HK$3,496 million, while the net loss was reduced from HK$197 million in the first half of 2017 to HK$79 million in the same period in 2018. The 60% reduction in net loss came despite a negative foreign exchange effect amounting to HK$24 million in the current interim period, and a mark-to-market foreign exchange loss of HK$57 million on outstanding US$225 million currency hedging contracts due to foreign currency fluctuations.

1 National Bureau of Statistics, PRC
2 HKSAR Census and Statistics Department

KEY CORPORATE DEVELOPMENTS

Dalian Tiandi Disposal

In December 2017 the Group completed the disposal of its entire 22% interest in the Dalian Tiandi project, for a consideration of RMB1,300 million. Following the disposal, the Group is no longer required to share the loss of this associate. An interest income of RMB23.2 million, calculated at the rate of 5% per annum on the outstanding consideration payable to the Group as at 31 December 2017 amounting to approximately RMB921 million, has been recognised in the first half of 2018. In addition, a one-off write-back was made during the period for fees payable relating to the Dalian Tiandi project totalling approximately RMB27.5 million.

Share Buy-back Offer

On 29 May 2018, SOCAM announced that it would make a conditional cash offer to buy back up to 100,000,000 ordinary shares of the Company at a price of HK$2.50 per share, representing a discount of 66% to the net asset value (NAV) of HK$7.36 as at 31 December 2017. The offer aims to benefit all shareholders by providing an opportunity for those minority shareholders who wish to realise part of their investment in the Company at a premium over the prevailing market price, and by increasing the NAV per share.

Nanjing Scenic Villa

The Company's shares have persistently traded at a significant discount to the Group's NAV per share. Taking the closing price of the Company's shares of HK$2.39 on 25 May 2018 as the reference date (being the last trading day before the buy-back announcement), and NAV per share of HK$7.36 as at 31 December 2017, the discounts to NAV have ranged from 67.5% on that day to as high as 75.1% based on the average closing price of the Company's shares of approximately HK$1.83 as quoted on the Stock Exchange of Hong Kong for the three months up to and including the said last trading day.

The share buy-back offer and the whitewash waiver with respect to a mandatory general offer were supported by and duly approved by the independent shareholders at the special general meeting of the Company on 2 August 2018. Valid acceptances in respect of a total of 126,388,142 shares were received, representing approximately 26.09% of the total number of issued shares and approximately 126.39% of the maximum number of 100,000,000 shares to be bought back by the Company under the offer. The total consideration payable by the Company for buying back the shares was HK$250 million.

The transaction was duly completed on 24 August 2018. Immediately after completion, the aggregate interests of Shui On Company Limited and the parties acting in concert with it in the issued shares were increased from approximately 49.32% to approximately 62.15%.

Termination of Agreement for Disposal of Nanjing Cement Plant

On 25 July 2018, the Company announced the termination of the proposed disposal of its 35% equity interest in Nanjing Jiangnan Cement Co., Limited (NJC), a joint venture that operates a cement grinding mill in Nanjing. A framework agreement for the disposal at a total transaction amount of approximately HK$171 million was entered into in August 2016. However, NJC was unable to complete registration of the disposal with the relevant government authorities in the Chinese Mainland in the absence of the assistance of the other shareholder, with the result that SOCAM and the purchaser agreed to terminate the framework agreement.

Chengdu Centropolitan SOHO Tower

PROPERTY

To respond to the changing nature of the retail market, the rise of e-commerce and the purchasing power of a younger demographic, the Group has a comprehensive programme of revamping and re-energising these properties to maintain their competitiveness.

Tianjin Veneto

MARKET REVIEW

The property market in the Chinese Mainland was generally buoyant in the first half of 2018. Demand for residential properties remains strong, and prices and transaction volumes have in many locations been resilient, despite the imposition of ever more stringent government control measures.

The retail sector continues to face the challenge of the rise in e-commerce and of adapting to the increasing purchasing power of a younger demographic. To address these issues, mall operators are incorporating more experiential factors to attract consumers and putting more emphasis on food and beverage (F&B) outlets and family entertainment. Vacancy rates and rental growth in both the retail and office sectors vary quite widely among Mainland cities, as some markets remain relatively oversupplied.

Chengdu

Chengdu's commercial property market was strong in the first half of 2018, with high demand for retail space, as the city continues to attract international brands and lifestyle brands that accelerate their entry into Chengdu's shopping malls. In the office sector, demand for Grade A office space was also solid, led by the technology, media, telecom and finance sectors.

Chongqing

Chongqing has seen significant new supply come on stream recently, which is still being absorbed. As a result, the vacancy rate and rental rates showed little change in the first six months of 2018. Affordable luxury brand stores and food services are the main areas of growth.

Nanjing

Nanjing experienced strong economic growth in the first half of 2018 and the new hukou (residency) policy, announced by the local government in March 2018, has increased purchasing power. In conjunction with a fall in new housing supply, this led to a supply shortage in the first half of the year, pushing up transaction volumes in the first quarter. Home prices remain stable on strengthened regulation.

Shenyang

Shenyang's retail market also continued to absorb new stock, with again little change in the period for either the vacancy rate or rental rates. However, the F&B sector has continued to expand, with themed restaurants entering Shenyang's shopping centres.

Tianjin

Tianjin's retail property market environment remained competitive during the period, with slow growth in leasing demand in the face of new supply and relatively modest growth in retail sales.

SALES AND LEASING PERFORMANCE

SOCAM's property portfolio in the Chinese Mainland comprises a total developable gross floor area (GFA) of 519,400 square metres, of which 507,900 square metres are attributable to the Group. About 409,900 square metres are completed properties, with the remaining 109,500 square metres currently under development. During the period, the Group's property business recorded a profit of HK$106 million.

In the first six months of 2018, the Group handed over 325 units in its residential and SOHO property developments, with a total GFA of approximately 40,400 square metres. 23 car parking spaces were sold. Revenue of HK$786 million and profits of HK$168 million resulting from sales were recognised in the period. The main contributions came from the Group's Chengdu Centropolitan SOHO tower and Nanjing Scenic Villa projects.

Total attributable gross rental income from our retail and office properties was approximately RMB22 million in the first six months of 2018 (1H 2017: RMB8 million), mainly due to the leasing of the office tower and retail mall of Chengdu Centropolitan starting from June and December 2017 respectively, and the consolidation of Tianjin Veneto's retail results after the Group's acquisition of the project's shareholding as mentioned below.

Major property sales by project during the period:

	1H 2018			1H 2017		
	Contracted sales		Handover	Contracted sales		Handover
Project	Contracted amount* (RMB million)	GFA sold (sq.m.)	GFA delivered (sq.m.)	Contracted amount* (RMB million)	GFA sold (sq.m.)	GFA delivered (sq.m.)
Nanjing Scenic Villa (Residential)	208	10,760	25,200	130	7,100	25,660
Chengdu Centropolitan (SOHO Tower)	263	17,750	15,200	–	–	–

* VAT inclusive

In November 2017, the Group consolidated its shareholdings in two of its projects in the Chinese Mainland, raising its shareholding in Tianjin Veneto to 90% and that in Nanjing Scenic Villa to 100%. This allows us to manage the projects more dynamically and enables us to enhance their value, including parcels of land that are yet to be developed.

The six projects in the Chinese Mainland owned by SOCAM as of 30 June 2018, are summarised below:

Location	Project	Residential/ Villa (sq.m.)	SOHO/ Office (sq.m.)	Retail (sq.m.)	Carparks & Others (sq.m.)	Total (sq.m.)	Attributable GFA (sq.m.)	Estimated completion	SOCAM's Interest
Chengdu	Centropolitan	1,000	49,700	43,000	113,000	206,700	206,700	Completed	100%
Chongqing	Creative Concepts Center	–	–	21,000	9,900	30,900	30,900	Completed	100%
Guangzhou	Parc Oasis	–	–	300	4,800	5,100	5,100	Completed	100%
Nanjing	Scenic Villa	57,400	–	–	16,700	74,100	74,100	2019	100%
Shenyang	Shenyang Project Phase I	–	2,900	62,200	22,500	87,600	87,600	Completed	100%
Tianjin	Veneto	–	–	111,000	4,000	115,000	103,500	2019	90%
Total		58,400	52,600	237,500	170,900	519,400	507,900		

SHOPPING MALLS AND RESIDENTIAL DEVELOPMENT PROJECTS

SOCAM operates four shopping malls in the Chinese Mainland, with a combined GFA of 189,800 square metres. To respond to the changing nature of the retail market, including the rise of e-commerce and the purchasing power of a younger demographic, the Group has a comprehensive programme of revamping and re-energising these properties to maintain their competitiveness. This includes:

- major refurbishments of interiors and facades;
- repositioning malls on lifestyle themes; and
- a consequent refreshment of the tenant mix to bring in more high quality tenants in areas such as F&B, children's education and health and fitness.

The Group's remaining residential property development is in Nanjing, one of China's wealthiest cities with a population of over 8 million people and also the capital of Jiangsu province. The first phase was completed in 2017 and work has commenced on the third phase.

Rental Income from Retail and Office Properties (stated before deduction of applicable taxes):

Project (RMB)	1H 2018	Monthly average	1H 2017	Monthly average
Shenyang Tiandi Retail	4,761,000	790,000	3,780,000	630,000
Tianjin Veneto Phase 1 Retail	5,562,000	930,000	4,800,000	800,000
Chongqing Creative Concepts Center Retail	2,112,000	350,000	1,600,000	270,000
Chengdu Centropolitan				
Retail	3,665,000	610,000	–	–
Office	5,840,000	970,000	–	–

Occupancy Rates of Retail and Office Properties:

Project	Total GFA (sq.m.)	Occupancy Rate	
		Jun 2018	Dec 2017
Shenyang Tiandi			
Retail	62,200	61%	60%
Tianjin Veneto Phase 1			
Retail	63,600	73%	66%
Chongqing Creative Concepts Center			
Retail	21,000	67%	60%
Chengdu Centropolitan			
Retail	43,000	45%	89% /25%*
Office	33,300	69%	56%

* refers to basement and G/F respectively.

Retail Properties Monthly Footfall*:

Project	Jun 2018	Jun 2017
Shenyang Tiandi	244,000	248,000
Tianjin Veneto Phase 1	323,000	141,000
Chongqing Creative Concepts Center	40,000	35,000
Chengdu Centropolitan	233,000	–

* The footfall comparison given is June to June, to avoid distortions that arise from large seasonal variations between the first and second halves of the year.

Chengdu Centropolitan

Chengdu Centropolitan is a mixed-use development that comprises residential, SOHO and office, retail space and carparks, with a total GFA of approximately 206,700 square metres as at 30 June 2018.

Although the project was fully completed in 2017, 504 SOHO units were taken back from Great Wall Engineering and re-launched at favourable market prices beginning in January 2018. As at 30 June 2018, 291 of these units had been sold, of which 249 had been handed over to buyers. In July 2018, the Company launched the sale of the last batch of around 200 units.

Leasing activity of the office tower continues to progress, buoyed by demand for high quality office space in the district. As of 30 June 2018, the tower was 69% let, and new tenants signed included those in the finance and e-commerce sectors.

The integrated shopping mall occupies approximately 43,000 square metres, and the basement and ground floor opened in December 2017, with levels 2-6 officially opened in August 2018. As of 30 June 2018, the occupancy rate of the mall, including new leases of levels 2-6, was 45%.

The basement, which houses a fresh market 'village' and fast food stalls, with unique features designed to satisfy the daily needs of the local community, won the 'Creative Commercial District' award from the Chengdu Retail Association in March 2018. On the ground floor, major tenants include Burger King, Watson's and jewellery shops. Fitting out is currently underway for new tenants including a cinema, gym and children's education centre.

Chongqing Creative Concepts Center

This development lies in Chongqing's Central Business District close to the busy Jiefangbei Square. The office and residential portions have been sold and the Group retains the 30,900 square metres GFA shopping mall and carparks.

The mall achieved an occupancy rate of 67% as at 30 June 2018. Average monthly rental income in the first half of 2018 was 30% higher than that achieved for the first half of 2017. The occupancy rate is less than targeted due to the early termination of two leases, as well as a delay in renting out some of the larger units.

Creative Concepts Center is being revamped as a 'Mini Community Mall', with a greater emphasis on F&B, as well as other lifestyle elements such as education. In May 2018 a gym opened, which will be a major new attraction, while two new restaurants opened in June 2018. In the same month, we signed a leasing agreement with a boutique hotel and the mall is close to fully let. Work also began in May 2018 on a major revamp of the mall design, covering the façade and the street shop fronts, following approval by the relevant authorities.

Guangzhou Parc Oasis

This residential development was fully completed in 2012 and all units have been sold. During the first half of 2018, five of the remaining car parking spaces were sold, generating revenue of RMB1.51 million.

Nanjing Scenic Villa

Scenic Villa is a residential development located in Nanjing's Jiangning District. It has a developable GFA of approximately 74,100 square metres as at 30 June 2018, comprising completed properties of approximately 13,500 square metres and those under development of approximately 60,600 square metres. The development offers distinctive low-rise apartments with balconies in a garden and lakeside setting.

Most of the villas in Phase 1 have been sold and handed over to buyers. Following the first stage of completion of the construction works for Phase 2, a further 83 units previously pre-sold were handed over to buyers in the first six months of 2018. Marketing and sales continued for Phase 2 of the project, with 36 units totalling 10,800 square metres GFA, sold in the first half of 2018, with a total contract value of RMB208 million. Construction works for Phase 3 of the project, which will consist of six commercial blocks with a total developable GFA of 17,000 square metres, are underway. Project completion is targeted for 2019.

Shenyang Project Phase I

The residential and office portions of this project have been substantially sold but the Group retains Shenyang Tiandi, a 62,200 square metres shopping mall in the city's commercial hub that opened in 2013. The mall is being extensively revamped to re-position it as a 'destination point' for Shenyang's growing middle class and visitors from surrounding areas.

The tenant occupancy rate stood at 61% as at 30 June 2018, which is below expectations, and reflects the very strong competition in the market, as well as our decision in late 2017 to revamp the food court. However, the mall has made significant progress in improving the tenant mix, and consumers are responding to the better tenant mix. The 'Bar Street' that re-opened in May has offered alfresco dining promotions. A sizable new food court named 'Tiandi Kitchen' opened in July, featuring an array of well-known local and Asian restaurants which drew in shoppers. Average monthly rental income in the first half of 2018 was 25% higher than that achieved for the same period of 2017.

Tianjin Veneto

The Veneto is a European-style mall with a total GFA of 115,000 square metres in a prime location near Tianjin's Wuqing Station, on the Beijing-Tianjin Intercity Railway.

Phase 1, of 63,600 square metres GFA, is benefitting from a substantial revamp that began in 2016, which has improved the tenant mix and enhanced the visitor experience, backed by creative promotion campaigns. As a result of these efforts, consumer traffic has increased significantly, with monthly footfall having more than doubled from the 2017 average by June 2018. As at 30 June 2018, Phase 1 had an occupancy rate of 73%, up from 66% at the end of December last year. Average monthly rental income in the first half of 2018 was 16% higher than that achieved for the same period in 2017. New tenants added in the first half of 2018 ranged from restaurants to clothing stores. Subsequently, Decathlon, a popular sports retail chain, opened in August.

In the first half of 2018, the Group began the Phase 2 expansion, which will see a further 47,000 square metres GFA of retail and SOHO space developed. The new development was approved by the Tianjin Planning Department in December 2017. Construction work commenced in July 2018. The Group currently expects to launch sales by the end of this year once the pre-sale permit has been obtained.

CONSTRUCTION

We continue to see good opportunities in construction and will target projects in public housing and related public amenities. We will also increase our efforts to establish a stronger presence in maintenance and interior fitting-out projects.

Hong Kong Children's Hospital

The Group's construction business covers a comprehensive range of construction, maintenance and interior fitting out services, carried out by three subsidiary companies, namely Shui On Construction Company Limited (SOC), Shui On Building Contractors Limited (SOBC) and Pat Davie Limited (PDL).

PROACTIVE TO INDUSTRY CHALLENGES

The construction industries in Hong Kong and Macau are facing a number of challenges brought on by demographic and economic trends.

In both cases, the population is aging, with 40% of Hong Kong's labour force now over the age of 45. As a result, the availability of labour for construction, including skilled labour, has become more constrained. This, combined with more stringent regulation and higher raw materials prices, has led to surging construction costs.

Both cities therefore face the challenge of recruiting and training a cohort of young people for the industry's development and succession planning, as well as bridging the existing gap between demand and supply. While Macau has sought to address the issue by importing labour, now accounting for about half of its construction workforce, Hong Kong has instead placed more emphasis on training and making the industry more attractive to potential recruits.

SOCAM is keenly aware of these issues and is making efforts to ensure an adequate supply of skilled labour for our construction business. We have a rigorous attitude to safety that aims to create a safe working environment for our employees and subcontractors. Each year, recruitment of graduate engineers is conducted so as to attract talented university graduates to join the Group. We aim to foster the talent of such young individuals by equipping them with professional knowledge of and practical experience within the construction industry. At the same time, we are tightening our control over raw materials costs and our procurement to counter the volatility in prices and supply.

SAFETY

Safety is a top priority for SOCAM, and this year we have implemented a number of Health, Safety and Environment (HSE) management sharing and training sessions to enrich the operational and managerial capabilities of our site agents and managers, as well as to improve both their safety awareness.

Our efforts in promoting safety at worksites have earned us recognition from multiple organisations, including the Occupational Safety & Health Council and the Labour Department. Notably, an Innovative Safety Initiative Award 2018 - Safety Management System, Training and Promotion (Silver Award) from the Construction Industry Council was bestowed upon SOBC. In addition, Pacific Extend Limited (PEL), our maintenance arm, received a notable COO Award from CLP Power Hong Kong Limited (CLP), which indicates the high level of quality and safety achieved, distinguishing it from amongst a number of competitive contractors.

OPERATING PERFORMANCE AND NEW CONTRACTS SIGNED

Amidst a challenging operating environment, the Group's construction business showed improvements in profit in the first six months of 2018:

	1H 2018	1H 2017
Profit	HK$96 million	HK$50 million
Turnover	HK$2.7 billion	HK$3.1 billion
Gross value of contracts on-hand (as of 30 June 2018)	HK$16.2 billion	HK$21.6 billion
Gross value of contracts to be completed (as of 30 June 2018)	HK$8.0 billion	HK$10.9 billion

During the first six months of 2018, SOCAM won 22 new construction, renovation and fit-out contracts in Hong Kong and Macau worth a total of HK$456 million, compared with the HK$4.3 billion achieved in the first half of 2017. SOBC won HK$80 million new contracts, while PDL won HK$376 million. The decline in the value of new contracts secured in the first half of 2018 is mainly due to fewer construction projects offered by the Housing Authority and the Architectural Services Department in the first six months of the year.

For SOBC and SOC, we see more tendering opportunities in the second half of 2018, with government offices, schools, public housing and hospital tenders in the pipeline. As regards public housing, the government's housing target is to provide 280,000 public housing units in ten years, which will support a steady amount of new public housing contracts from the Housing Authority in the years ahead.

PROGRESS ON EXISTING PROJECTS

SOCAM's construction projects continued to make steady progress towards completion during the first six months of 2018, including both the public housing projects at So Uk Estate Phases 1 and 2, Kai Tak Home Ownership Scheme, and Shek Kip Mei Estate Phases 3, 6 and 7, as well as the design and build project, namely the Junior Police Officers Married Quarters at Fan Garden, Fanling. A total of ten maintenance projects were underway in Hong Kong as at 30 June 2018, together with 17 interior fitting out projects in Hong Kong and Macau.

PROJECTS COMPLETED

Projects completed during the first six months of 2018 comprised a public housing estate in Sham Shui Po in Hong Kong and five hospitality related projects in Macau:

- So Uk Estate Phase 1
- City of Dreams – Hotel Main Lobby & Porte Cochere Fit-out Works
- City of Dreams – Hotel Alain Ducasse Fit-out Works
- Wynn Palace – Main Gaming Pits Noodle Restaurant Conversion
- Nova City Phase 5 – Retail Areas and Main Entrance Fit-out Works
- Wynn Palace – High Limit Slots Fit-out Works

Junior Police Officers Married Quarters at Fan Garden

Shui On Building Contractors Limited

SOBC is a leading building contractor in public housing construction in Hong Kong. Since 1981, it has completed numerous public housing units as well as shopping centres and public amenities in government estates, often pioneering new town developments. PEL, a subsidiary established in 2000, mainly undertakes maintenance works from government organisations, as well as maintenance and minor works for public utilities.

New contracts won by SOBC during the first half of 2018 amounted to HK$80 million. These included a contract from the Architectural Services Department of the Government of the HKSAR for the design and construction of the Hong Kong Garden in the Beijing International Horticultural Exposition 2019, and three contracts with CLP for the refurbishment of the Castle Peak Power Station storm drain, external wall and boiler trench cover.

Two existing contracts were also extended, with a further total contract sum of HK$240 million. The term contract for Architectural and Building Works for MTR Corporation Limited was extended for a further two years to 2020 and the Outline Agreement for Design and Construction of Minor Building/Civil Engineering Works at CLP's premises was extended for one year to 2019.

The Home Ownership Scheme Development at Kai Tak

So Uk Estate

During the period, SOBC completed the construction contract for the public housing So Uk Estate Phase 1 in Sham Shui Po in Hong Kong.

In July 2018 PEL won a HK$342 million Term Contract for the Design and Construction of Fitting Out Works to Buildings and Lands and Other Properties on Hong Kong Island and the Outlying Islands from the Architectural Services Department, a long-standing client.

Hong Kong Garden

Shui On Construction Company Limited

SOC has extensive experience in the construction of commercial and institutional projects for government and major institutions, ranging from major luxury hotels, office buildings and shopping centres to sports and arts facilities, hospitals, schools, universities and recreational parks.

During the first six months of 2018, SOC continued to progress its major contract from the Architectural Services Department for the design and construction of Junior Police Officers Married Quarters at Fan Garden, Fanling, which will provide 1,184 units on completion in 2020. SOC is working to secure Building Environmental Assessment Method (BEAM) Plus certification for the project based on incorporating innovative ways to reduce energy and water consumption.

Hong Kong Children's Hospital, a joint venture project between SOCAM and China State Construction, which will be the first children's hospital in Hong Kong's public healthcare system, was completed on time in September 2017 and handed over to the Hospital Authority in February 2018. As the hospital is targeted to commence operation in the fourth quarter of 2018 in phases, SOC is currently working with the client on the final adjustments needed to ensure its smooth operation.

Pat Davie Limited

PDL is recognised as a market leader in fast-track high quality interior fitting out for major businesses, including corporate offices, hotels, banks, clubs, retail outlets, shopping arcades and restaurants. It offers a full range of services including design-and-build tailored to individual client needs.

The company remained very active in the fit-out and refurbishment markets of both Hong Kong and Macau in the first six months of 2018, securing 18 new contracts worth a combined HK$376 million, in the retail, hospitality and commercial sectors. The largest of these projects are the revamp of the Food Court at Terminal 1 of Hong Kong International Airport and refurbishment work for the Sky City Marriott Hotel.

TKO Gateway

Macau Hotel Morpheus

Macau is currently PDL's major market and the city's GDP advanced by 7.6% year-on-year in the first half of 2018. The gaming, tourism and retail sectors all performed well, which augurs well for potential new business for PDL. During the period a number of tenders were submitted for major projects in Macau's gaming sector, for companies including Melco Resorts & Entertainment Limited, MGM Resorts Macau and Wynn Resorts Limited/Wynn Macau.

PDL is also continuing to execute well on the projects it secured in prior years, including two large commercial projects Taikoo Place Phase 2A and Wan Tsui Commercial Complex, whose contract sums amount to HK$310 million and HK$121 million respectively. A total of HK$302 million worth of projects were completed in Macau during the first six months of 2018 for clients including City of Dreams Macau and Wynn.

OUTLOOK

In the second half of the year, the global economy is likely to face increasing pressures from trends established earlier in the year that will have a considerable impact on business investment and market confidence. Firstly, interest rates are poised to rise, with the Federal Reserve indicating that two more hikes in rates are likely before the end of the year. Secondly, China's economy is facing strong headwinds amidst the rising trade tensions between the US and China. The tariff increases announced by the US and retaliatory measures from trading partners have increased the likelihood of escalating and sustained trade actions, which could derail the global recovery and depress medium-term growth prospects. It is widely anticipated that trade between China and the US will suffer, which may have a broad impact on both economies.

China's economy has shown strong momentum so far this year, while the economic restructuring away from manufacturing and investment towards services and consumption has progressed steadily. Nevertheless, amidst the uncertain global economic environment, the overall business outlook remains challenging.

The Group's property business in the Chinese Mainland will continue to operate in a market that has high economic growth but is also highly competitive. With economic growth still reasonably solid, retail sales continuing to grow and demand for housing remaining strong despite administrative control measures, both the commercial and residential property markets offer opportunities. However, developers are also competing keenly to sell and lease properties, with some markets needing to absorb excess supply.

We anticipate stronger income from our development in Nanjing, Chengdu and Tianjin as we launch new units, as well as from rental income, as occupancy rates at our four shopping malls improve.

In our residential property project in Nanjing, sales of Phase 2 of Scenic Villa will continue, with booking of revenue dependent on the timing of hand over to buyers. Meanwhile, construction of Phase 3 will be pushed ahead, with completion targeted in 2019. We also plan to launch the first batch of retail units of Phase 2 of Veneto in Tianjin by the end of the year.

The recent trends observed in retail, namely the growth in e-commerce and a younger demographic seeking lifestyle experiences, look set to continue. Occupancy and rental trends will vary from city to city, owing to differences in supply. We expect to increase occupancy rates significantly at Tianjin Veneto, Chongqing Creative Concepts Center and Shenyang Tiandi as new tenancies are signed. The full opening of Chengdu Centropolitan shopping mall in August this year received a positive market response, with the overall occupancy rate at 60%. The Group will continue to push ahead vigorously with its revamp programme to refresh the appearance of the malls and enhance the tenant mix, in order to improve the rental yield.

We are cautiously optimistic about Hong Kong's economic outlook for 2018. Our construction business will benefit from the projects secured and we expect some success from tenders in the second half of the year. We continue to see good opportunities in construction and will target projects in public housing and related public amenities. We will also increase our efforts to establish a stronger presence in maintenance and interior fitting-out projects, which will give additional impetus to the Group's construction business in the longer term.

We are aware of the challenges that lie ahead and will maintain a balance between seeking opportunities to grow our businesses and improve our results, while adhering to prudent financial management.

Chongqing Creative Concepts Center

FINANCIAL REVIEW

We will maintain a balance in seeking opportunities to grow our business and improve our results, while adhering to prudent financial management.

Hong Kong Children's Hospital

INTERIM RESULTS

The Group's loss attributable to shareholders for the six months ended 30 June 2018 was HK$79 million on a turnover of HK$3,496 million, compared with the loss of HK$197 million and turnover of HK$3,167 million for the corresponding period last year. The Board has resolved not to declare an interim dividend (2017: nil).

An analysis of the total turnover is as follows:

	Six months ended 30 June 2018 HK$ million	Six months ended 30 June 2017 HK$ million
Turnover		
SOCAM and subsidiaries		
Construction	**2,674**	3,144
Property	**822**	23
Total	**3,496**	3,167
Joint ventures and associates		
Property	**–**	407
Others	**17**	14
Total	**17**	421
Total	**3,513**	3,588

The construction business recorded a 15% decrease in turnover for the first half of this year, as compared with the same period last year. This was mainly attributable to the completion of the mega-sized contract for the construction of the Hong Kong Children's Hospital in a joint venture with China State Construction in late 2017.

The Group acquired the remaining 19% interest in the Chengdu Centropolitan project in July 2017 and the 45% and 50% respective interests in Tianjin Veneto and Nanjing Scenic Villa in November 2017. As a result, these projects became controlled subsidiaries of the Company and revenue earned and costs incurred of these projects were consolidated into the consolidated financial statements of the Company. The significant increase in the Group's property revenue to HK$822 million, from HK$23 million in the prior interim period was mainly derived from the handover of a considerable number of SOHO units and villa units by the Chengdu Centropolitan project and the Nanjing Scenic Villa project, respectively. The Group's share of property sales revenue from jointly developed projects of HK$407 million in the prior interim period, was mainly derived from (a) the then 50%-owned Nanjing Scenic Villa and (b) the then 22%-owned Dalian Tiandi, which was subsequently disposed of in December 2017.

Tianjin Veneto

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

	Six months ended 30 June 2018 HK$ million	Six months ended 30 June 2017 HK$ million
Property		
Profit from property sales	**168**	3
Net rental expenses	**(22)**	(7)
Fair value changes on investment properties, net of deferred tax provision	**36**	(14)
Share of results of joint ventures	**–**	(50)
Share of results of associates – Dalian Tiandi	**–**	(7)
Operating expenses, net of project fee income	**(76)**	(20)
	106	(95)
Construction	**96**	50
Net finance costs	**(82)**	(74)
Marked-to-market loss of currency hedging contracts	**(57)**	(36)
Corporate overheads and others	**(36)**	(16)
Taxation	**(74)**	(12)
Non-controlling interests	**(32)**	(14)
Total	**(79)**	(197)

Property

Property business reported a profit of HK$106 million for the current interim period, as compared with a HK$95 million loss for the last interim period. Profit from property sales related to strata-title sales of SOHO units of Chengdu Centropolitan, as well as villa units of Nanjing Scenic Villa. Increase in net rental expenses was mainly attributable to the consolidation of the negative rentals from the shopping malls of Chengdu Centropoltian and Tianjin Veneto since last year-end, which were previously reflected under "Share of results of joint ventures".

The basement and ground floor of the shopping mall of Chengdu Centropoltian was opened in December 2017 and incurred a loss during this commencement period of operation. For Tianjin Veneto, a smaller net rental expenses was reported in this interim period, as compared to the last interim period, as both tenant occupancy rate and customer traffic showed improvement.

During the current interim period, the Renminbi registered a 0.9% depreciation against the Hong Kong dollar, and this brought about foreign exchange losses to the Group's property segment, totalling HK$16 million, as contrasted with the foreign exchange gains of HK$56 million on the 3.0% appreciation for the same period last year. These, coupled with the consolidation of the operating expenses incurred by Chengdu Centropolitan, Tianjin Veneto and Nanjing Scenic Villa in the current interim period were accountable for the increase in reported net operating expenses.

Construction

Construction business posted higher profit for the current interim period. Average net profit before tax margin was 3.6% of turnover, which was above the 1.6% margin in the previous interim period largely due to (a) more profit was derived from the maintenance contracts which carried higher margin; and (b) in last interim period further loss was 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.

In September 2017, 15% of the construction businesses was sold to seven senior executives of the Construction Division, under an employee participation arrangement of the Group. This, coupled with the increased profit in the first half of 2018, resulted in the increase in profit shared by non-controlling interests to HK$32 million, from HK$14 million in the same period last year.

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 2018, as compared with the same period in 2017, largely due to the interest and amortised issue costs of the senior notes.

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. Two of these currency hedging contracts expired in late December 2017 and the remaining outstanding contracts matured subsequently in March and May 2018. As a result of the appreciation of the Renminbi against the United States dollar upon the maturity of the respective currency hedging contracts, a loss of HK$57 million was crystalised during the period.

On the other hand, Renminbi depreciated against the Hong Kong dollar in June 2018 and registered a 0.9% depreciation for the six months ended 30 June 2018. In addition, the Hong Kong dollar weakened against the United States dollar by 0.4% during the period. These brought about foreign exchange losses totalling HK$59 million for the current interim period, of which HK$24 million and HK$35 million were recognised in the condensed consolidated statement of profit or loss and the condensed consolidated statement of financial position respectively, in contrast with the foreign exchange gains of HK$58 million and HK$132 million respectively for the same period last year.

ASSETS BASE

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

	30 June 2018 HK$ million	31 December 2017 HK$ million
Total assets	**11,476**	12,024
Net assets	**3,447**	3,566
	HK$	HK$
Net assets per share	**7.1**	7.4

Total assets of the Group decreased to HK$11.5 billion at 30 June 2018, from HK$12.0 billion at 31 December 2017. The decrease in both net assets of the Group and net assets per share was principally attributable to the effect of (i) HK$79 million loss for the current interim period, and (ii) decrease in the translation reserve of HK$35 million as a result of the depreciation 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 2018 HK$ million	**%**	31 December 2017 HK$ million	%
Property	**7,616**	**66**	7,854	65
Construction	**1,887**	**17**	2,189	18
Corporate and others	**1,973**	**17**	1,981	17
Total	**11,476**	**100**	12,024	100

The proportion of total assets of each business segment remained relatively stable at 30 June 2018, when compared with that at 31 December 2017.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company decreased to HK$3,447 million on 30 June 2018, from HK$3,566 million on 31 December 2017, 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$1,998 million on 30 June 2018, as compared with HK$1,913 million on 31 December 2017.

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

	30 June 2018 HK$ million	31 December 2017 HK$ million
Bank borrowings repayable:		
Within one year	**546**	500
After one year but within two years	**428**	443
After two years but within five years	**438**	422
After five years	**56**	80
Total bank borrowings	**1,468**	1,445
US$ senior notes due 2020	**2,172**	2,157
Total bank and other borrowings	**3,640**	3,602
Bank balances, deposits and cash	**(1,642)**	(1,689)
Net bank and other borrowings	**1,998**	1,913

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, increased to 58.0% at 30 June 2018, from 53.6% at 31 December 2017, mainly attributable to the 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. In early 2017, the Company took out currency hedging contracts in a total notional amount of approximately US$369 million, which had all expired as at May 2018. No further currency hedging contracts has been arranged. It is the Group's policy not to enter into derivative transactions for speculative purposes.

EMPLOYEES

At 30 June 2018, the number of employees in the Group was approximately 1,130 (31 December 2017: 1,100) in Hong Kong and Macau, and 460 (31 December 2017: 470) 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.

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 23 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June **2018** **HK$ million** **(unaudited)**	 2017 HK$ million (unaudited)
Turnover			
The Company and its subsidiaries		**3,496**	3,167
Share of joint ventures/associates		**17**	421
		3,513	3,588
Group turnover	3	**3,496**	3,167
Other income, other gains and losses		**17**	156
Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold		**(698)**	(346)
Raw materials and consumables used		**(204)**	(222)
Staff costs		**(346)**	(335)
Depreciation		**(6)**	(4)
Subcontracting, external labour costs and other expenses		**(2,154)**	(2,280)
Fair value changes on investment properties		**23**	(18)
Gain on transfer of property inventories to investment properties		**29**	–
Dividend income from equity investments		**2**	1
Finance costs	4	**(117)**	(108)
Share of profit (loss) of joint ventures		**1**	(179)
Share of loss of associates		**–**	(7)
Profit (loss) before taxation		**43**	(175)
Taxation	5	**(90)**	(8)
Loss for the period	6	**(47)**	(183)
Attributable to:			
Owners of the Company		**(79)**	(197)
Non-controlling interests		**32**	14
		(47)	(183)
Loss per share	8		
Basic		**HK$(0.16)**	HK$(0.41)
Diluted		**HK$(0.16)**	HK$(0.41)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
	(unaudited)	(unaudited)
Loss for the period	**(47)**	(183)
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Fair value changes of available-for-sale investments	**–**	6
Exchange differences arising on translation of financial statements of foreign operations	**(35)**	132
Reclassification adjustments for amounts transferred to profit or loss:		
– upon deregistration of a subsidiary	**–**	(7)
Items that will not be reclassified to profit or loss:		
Fair value changes of equity investments at fair value through other comprehensive income	**(5)**	–
Other comprehensive (expense) income for the period	**(40)**	131
Total comprehensive expense for the period	**(87)**	(52)
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(119)**	(66)
Non-controlling interests	**32**	14
	(87)	(52)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 HK$ million (unaudited)	31 December 2017 HK$ million (audited)
Non-current Assets			
Investment properties		**4,631**	4,538
Property, plant and equipment		**34**	37
Interests in joint ventures		**111**	107
Financial assets at fair value through other comprehensive income		**60**	–
Available-for-sale investments		**–**	65
Club memberships		**1**	1
Restricted bank deposits		**138**	137
		4,975	4,885
Current Assets			
Properties held for sale		**789**	925
Properties under development for sale		**1,003**	1,343
Debtors, deposits and prepayments	9	**2,484**	3,074
Contract assets	9	**643**	–
Amounts due from customers for contract work		**–**	163
Amounts due from joint ventures		**73**	74
Amounts due from related companies		**5**	8
Restricted bank deposits		**340**	66
Bank balances, deposits and cash		**1,164**	1,486
		6,501	7,139
Current Liabilities			
Creditors and accrued charges	11	**3,007**	2,578
Sales deposits received		**–**	528
Contract liabilities		**238**	–
Derivative financial instruments	10	**–**	102
Amounts due to customers for contract work		**–**	531
Amounts due to joint ventures		**117**	116
Amounts due to related companies		**246**	281
Amounts due to non-controlling shareholders of subsidiaries		**5**	5
Taxation payable		**153**	127
Bank borrowings due within one year	12	**546**	500
		4,312	4,768
Net Current Assets		**2,189**	2,371

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 HK$ million (unaudited)	31 December 2017 HK$ million (audited)
Total Assets Less Current Liabilities		**7,164**	7,256
Capital and Reserves			
Share capital	14	**484**	484
Reserves		**2,963**	3,082
Equity attributable to owners of the Company		**3,447**	3,566
Non-controlling interests		**168**	136
		3,615	3,702
Non-current Liabilities			
Bank borrowings	12	**922**	945
Senior notes	13	**2,172**	2,157
Other financial liabilities		**29**	28
Defined benefit liabilities		**18**	18
Deferred tax liabilities		**408**	406
		3,549	3,554
		7,164	7,256

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 2018	**484**	**3,172**	**383**	**197**	**(3)**	**(994)**	**14**	**11**	**15**	**287**	**3,566**	**136**	**3,702**
Fair value changes of equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5)**	**–**	**(5)**	**–**	**(5)**
Exchange differences arising on translation of financial statements of foreign operations	**–**	**–**	**(35)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(35)**	**–**	**(35)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(79)**	**–**	**–**	**–**	**–**	**(79)**	**32**	**(47)**
Total comprehensive (expense) income for the period	**–**	**–**	**(35)**	**–**	**–**	**(79)**	**–**	**–**	**(5)**	**–**	**(119)**	**32**	**(87)**
Transfer upon lapse of share options	**–**	**–**	**–**	**–**	**–**	**9**	**(9)**	**–**	**–**	**–**	**–**	**–**	**–**
At 30 June 2018	**484**	**3,172**	**348**	**197**	**(3)**	**(1,064)**	**5**	**11**	**10**	**287**	**3,447**	**168**	**3,615**

	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	–	–	132	–	–	–	–	–	–	–	132	–	132
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 payable 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

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 (2017: 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 (2017: HK$16 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 (2017: HK$22 million), which represents the revaluation surplus of the Group's 42.88% previously held interest in CCP, recognised upon the acquisition of the remaining 57.12% interest in CCP during the year ended 31 December 2009, net of the amount released as a result of subsequent disposal of property inventories.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018 HK$ million (unaudited)	2017 HK$ million (unaudited)
Net cash (used in) from operating activities		
Operating cash flows before movements in working capital	**138**	37
Decrease in properties held for sale	**557**	–
Increase in properties under development for sale	**(176)**	–
Decrease in amounts due from customers for contract work	**–**	189
Decrease in contract liabilities	**(284)**	–
Settlement of derivative financial instruments	**(159)**	–
Movements in other working capital	**(49)**	(9)
Tax paid	**(56)**	(2)
	(29)	215
Net cash used in investing activities		
Advances to joint ventures	**–**	(423)
Consideration received in respect of disposal of an associate	**59**	–
Restricted bank deposits refunded	**–**	337
Restricted bank deposits placed	**(275)**	(141)
Other investing cash flows	**6**	11
	(210)	(216)
Net cash (used in) from financing activities		
New bank borrowings raised	**485**	255
Repayment of bank borrowings	**(459)**	(1,702)
Issue of senior notes	**–**	2,186
Expenditure incurred on issue of senior notes	**–**	(41)
Interest paid	**(101)**	(71)
Other financing cash flows	**(5)**	(26)
	(80)	601
Net (decrease) increase in cash and cash equivalents	**(319)**	600
Cash and cash equivalents at the beginning of the period	**1,486**	587
Effect of foreign exchange rate changes	**(3)**	6
Cash and cash equivalents at the end of the period	**1,164**	1,193
Analysis of the balances of cash and cash equivalents		
Bank balances, deposits and cash	**1,164**	1,193

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2018 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 accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new and 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 2018.

Joint ventures of the Group adopt uniform accounting policies for like transactions and events in similar circumstances as those of the Group.

The Group has applied, for the first time, HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers". The nature and effect of these changes are disclosed below.

(a) Impacts and changes in accounting policies on application of HKFRS 9 and related amendments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the classification and measurement of financial assets and financial liabilities, general hedge accounting and expected credit losses for financial assets. The Group has elected to apply the limited exemption in HKFRS 9 paragraph 7.2.15 relating to transition for classification, measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As such, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including trade debtors, other receivables, amounts due from joint ventures and related companies, contract assets, restricted bank deposits, bank balances, deposits and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

At 1 January 2018, certain trade debtors and contract assets are determined as low credit risk at the date of initial application since the counterparties are mainly government bodies and reputable retailers, and a good history of repayment. The Directors of the Company also reviewed and assessed the Group's remaining trade debtors and contract assets, and other financial assets for impairment using reasonable and supportable information that is available without undue cost and effort. As a result, no additional loss allowance for financial assets was recognised on transition of HKFRS 9 when applying the expected credit risk model.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Impacts and changes in accounting policies on application of HKFRS 9 and related amendments (Continued)

Key changes in accounting policies resulting from application of HKFRS 9

(i) Classification and measurement

Trade debtors arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at fair value through other comprehensive income ("FVTOCI").

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

(ii) Impairment under ECL model

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade debtors and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Impacts and changes in accounting policies on application of HKFRS 9 and related amendments (Continued)

Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

(ii) Impairment under ECL model (Continued)

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due. However, in certain cases, the Group may also consider the instrument to be in default when internal and external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade debtors and other receivables, contract assets where the corresponding adjustment is recognised through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Effects arising from initial application of HKFRS 9

The Group previously designated the listed equity securities classified as available-for-sale investments carried at fair value. The Group has measured these investments at fair value through other comprehensive income under HKFRS 9. As a result, financial assets with a fair value of HK$65 million were reclassified from available-for-sale investments to financial assets at fair value through other comprehensive income on 1 January 2018 and the accumulated fair value gains of HK$15 million in the investment revaluation reserve at 1 January 2018 will no longer be subsequently reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Impacts and changes in accounting policies on application of HKFRS 15

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The Group has elected to adopt HKFRS 15 using the modified retrospective method and applied only to contracts that were not completed at the date of initial application. Any difference of the change in accounting policy was reflected at the date of initial application, 1 January 2018. Hence, the comparative information was presented based on the requirements of HKAS 11, HKAS 18 and related interpretations. The application of this standard has had no material impact on the timing and amounts of revenue recognised in the current or prior accounting periods.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group unconditional right to consideration.

A contract liability represents the Group's obligation to transfer goods and services to a customer for which the Group has received consideration from the customer.

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Impacts and changes in accounting policies on application of HKFRS 15 (Continued)

Summary of effects arising from initial application of HKFRS 15

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

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 HK$ million	**Reclassification HK$ million**	**Carrying amounts under HKFRS 15 at 1 January 2018 HK$ million**
Current assets				
Contract assets	(a)	–	**500**	**500**
Amounts due from customers for contract work	(a)	163	**(163)**	**–**
Retention receivable	(a)	337	**(337)**	**–**
Current liabilities				
Contract liabilities	(b)	–	**528**	**528**
Provision for contract work	(a)	1,069	**531**	**1,600**
Amounts due to customers for contract work	(a)	531	**(531)**	**–**
Sales deposits received	(b)	528	**(528)**	**–**

Notes:

(a) In relation to construction contracts previously accounted under HKAS 11, the Group estimates the performance obligations satisfied up to date of initial application of HKFRS 15. Amounts due from customers for contract work of HK$163 million and retention receivable of HK$337 million were reclassified to contract assets, while amounts due to customers for contract work of HK$531 million were reclassified to provision for contract work under creditors and accrued charges.

(b) At 1 January 2018, sales deposits received from customers of HK$528 million were reclassified to contract liabilities.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Impacts and changes in accounting policies on application of HKFRS 15 (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

The following table summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported HK$ million	Adjustments HK$ million	Amounts without application of HKFRS 15 HK$ million
Current assets			
Contract assets	643	(643)	–
Amounts due from customers for contract work	–	306	306
Retention receivable	–	337	337
Current liabilities			
Contract liabilities	238	(238)	–
Provision for contract work	1,746	(625)	1,121
Amounts due to customers for contract work	–	625	625
Sales deposits received	–	238	238

As required for the condensed consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

Except as described above, the application of other amendments to HKFRSs and interpretation 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 and interpretation 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 in the People's Republic of China ("PRC")
2. Construction and building maintenance — construction, interior fit-out, renovation and maintenance of building premises mainly in Hong Kong
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 2018

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Revenue from property sales	784	–	–	784
Rental income	38	–	–	38
Construction contract revenue	–	2,674	–	2,674
Group's revenue from external customers	822	2,674	–	3,496
Share of joint ventures' revenue	–	2	15	17
Total segment revenue	822	2,676	15	3,513
Timing of revenue recognition				
At a point of time	784	–	–	784
Over time	–	2,674	–	2,674
Rental income	38	–	–	38
Group's revenue from external customers	822	2,674	–	3,496
Reportable segment results	145	99	(3)	241
Segment results have been arrived at after crediting (charging):				
Depreciation	(3)	(2)	–	(5)
Interest income	30	3	–	33
Fair value changes on investment properties (note)	23	–	–	23
Gain on transfer of property inventories to investment properties	29	–	–	29
Dividend income from equity investments	–	–	2	2
Finance costs	(7)	–	–	(7)
Share of profit (loss) of joint ventures				
Property development	(1)	–	–	(1)
Other operations in Guizhou	–	–	3	3
Venture capital investments	–	–	(1)	(1)
				1

3. SEGMENT INFORMATION (CONTINUED)

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

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				
Revenue from property sales	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 (note)	(18)	–	–	(18)
Dividend income from available-for-sale investments	1	–	–	1
Share of profit (loss) of joint ventures				
Property development	(176)	–	–	(176)
Other operations in Guizhou	–	–	3	3
Venture capital investments	–	–	(6)	(6)
				(179)
Share of loss of associates	(7)	–	–	(7)

Note:

The fair value of the Group's investment properties has been arrived at on the basis of valuations carried out by an independent qualified professional valuer.

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 2018

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
Reportable segment assets	**8,892**	**2,148**	**1,277**	**12,317**
Reportable segment liabilities	**1,765**	**2,261**	**719**	**4,745**

At 31 December 2017

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
Reportable segment assets	9,169	2,454	1,247	12,870
Reportable segment liabilities	2,129	2,326	727	5,182

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

	Six months ended 30 June	
	2018 HK$ million	2017 HK$ million
Revenue		
Reportable segment revenue	**3,513**	3,588
Elimination of share of revenue of joint ventures/associates	**(17)**	(421)
Consolidated turnover	**3,496**	3,167

3. SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June 2018 HK$ million	Six months ended 30 June 2017 HK$ million
Profit (loss) before taxation		
Reportable segment profit (loss) before taxation	**241**	(7)
Unallocated other income	**2**	2
Unallocated finance costs	**(110)**	(108)
Fair value loss on derivative financial instruments	**(57)**	(36)
Other unallocated corporate expenses	**(33)**	(26)
Consolidated profit (loss) before taxation	**43**	(175)

	30 June 2018 HK$ million	31 December 2017 HK$ million
Assets		
Reportable segment assets	**12,317**	12,870
Elimination of inter-segment receivables	**(841)**	(846)
Consolidated total assets	**11,476**	12,024

	30 June 2018 HK$ million	31 December 2017 HK$ million
Liabilities		
Reportable segment liabilities	**4,745**	5,182
Elimination of inter-segment payables	**(841)**	(846)
Unallocated liabilities		
– Bank borrowings	**1,206**	1,176
– Senior notes	**2,172**	2,157
– Derivative financial instruments	**–**	102
– Taxation and others	**579**	551
Consolidated total liabilities	**7,861**	8,322

4. FINANCE COSTS

	Six months ended 30 June	
	2018 **HK$ million**	2017 HK$ million
Interest on bank and other loans	**37**	85
Interest on senior notes	**76**	18
Other borrowing costs	**4**	5
	117	108

5. TAXATION

	Six months ended 30 June	
	2018 **HK$ million**	2017 HK$ million
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	**15**	11
PRC Enterprise Income Tax	**14**	2
PRC Land Appreciation Tax	**56**	–
	85	13
Deferred taxation	**5**	(5)
	90	8

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax is calculated at 25% (2017: 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	
	2018 **HK$ million**	2017 HK$ million
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**6**	4
Cost of properties sold	**594**	5
Fair value loss on derivative financial instruments	**57**	36
Waiver of the fees payable to a related company (note 18(a))	**(32)**	–

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend (2017: Nil) for the six months ended 30 June 2018.

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 2018 HK$ million	Six months ended 30 June 2017 HK$ million
Loss for the period attributable to owners of the Company:		
Loss for the purpose of basic and diluted loss per share	**(79)**	(197)
	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 2018 and 30 June 2017 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/CONTRACT ASSETS

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 2018 HK$ million	31 December 2017 HK$ million
Trade debtors aged analysis (note a):		
Not yet due or within 90 days	**529**	702
91 days to 180 days	**2**	7
181 days to 360 days	**–**	–
Over 360 days	**–**	2
	531	711
Retention receivable (note b)	**–**	337
Consideration receivable in respect of disposal of an associate (note c)	**1,064**	1,102
Prepayments, deposits and other receivables (note d)	**889**	924
	2,484	3,074

9. DEBTORS, DEPOSITS AND PREPAYMENTS/CONTRACT ASSETS (CONTINUED)

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date on construction. The contract assets are transferred to trade debtors when the rights become unconditional.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL, trade debtors and contract assets have been grouped based on shared credit risk characteristics and/or the historical observed default rates adjusted by forward-looking estimates. At 30 June 2018, the trade debtors' balances were within the credit period of 90 days. The Directors of the Company considered that the lifetime ECL allowance for trade debtors and contract assets is insignificant at 30 June 2018.

Notes:

(a) Included in the trade debtors are receivables of nil (31 December 2017: HK$2 million), which are aged over 180 days, based on the date on which revenue was recognised.

(b) At 31 December 2017, the balances included retention receivable of HK$174 million, which was due after one year from the end of the reporting period.

(c) The balances carry interest at 5% per annum.

(d) Included in prepayments, deposits and other receivables at 30 June 2018 are receivables of HK$456 million (31 December 2017: HK$449 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$142 million (31 December 2017: HK$144 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$166 million) (31 December 2017: RMB140 million (approximately HK$167 million)) and its related interest. In addition to these receivables, the Company has provided a guarantee in relation to a loan granted to the Debtor (see note 17). 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 2018 HK$ million	31 December 2017 HK$ million
Measured at fair value and included in the condensed consolidated statement of financial position as current liabilities		
Foreign currency contracts	**–**	102

During the year ended 31 December 2017, the Group entered into certain short-term foreign currency forward contracts in a total notional amount of US$369 million, of which notional amount of US$225 million was outstanding at 31 December 2017, to reduce the risk of currency exchange fluctuation of the Group's foreign currency denominated assets. During the current period, all of these outstanding foreign currency forward contracts were expired and fair value losses totalled HK$57 million was recognised in the condensed consolidated statement of profit or loss (2017: HK$36 million).

11. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors (based on invoice date) of HK$393 million (31 December 2017: HK$604 million), which are included in the Group's creditors and accrued charges, is as follows:

	30 June 2018 HK$ million	31 December 2017 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**215**	409
31 days to 90 days	**29**	31
91 days to 180 days	**16**	32
Over 180 days	**133**	132
	393	604
Retention payable	**439**	430
Provision for contract work/construction cost	**1,746**	1,069
Other accruals and payables	**429**	475
	3,007	2,578

12. BANK BORROWINGS

During the six months ended 30 June 2018, the Group raised new bank borrowings totalling HK$485 million (2017: HK$255 million), repaid bank borrowings totalling HK$459 million (2017: HK$1,702 million), and obtained new and renewed existing credit facilities totalling HK$500 million (2017: HK$517 million). New and renewed bank loan facilities of the Group carry interest at variable rates of approximately 4.76% to 5.26% (2017: 3.47% to 4.47%) per annum.

13. SENIOR NOTES

	30 June 2018 HK$ million	31 December 2017 HK$ million
At the beginning of the period/year	**2,157**	–
Issue of new senior notes	**–**	2,186
Less: Transaction costs directly attributable to issue	**–**	(40)
Interest charged during the period/year	**76**	93
Less: Interest payable reclassified under other payables	**(69)**	(88)
Exchange adjustments	**8**	6
At the end of the period/year	**2,172**	2,157

14. SHARE CAPITAL

	30 June 2018 Number of shares	31 December 2017 Number of shares	30 June 2018 HK$ million	31 December 2017 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

On 29 May 2018, the Company announced to make a conditional cash offer to the shareholders of the Company to buy-back up to a maximum of 100,000,000 shares of the Company (representing approximately 20.64% of the total issued share capital of the Company as at 30 June 2018) at the price of HK$2.50 per share. The Company completed the buy-back of 100,000,000 of its own shares at an aggregate amount of approximately HK$257 million, including estimated transaction costs of approximately HK$7 million, upon cancellation of the bought-back shares on 24 August 2018. Accordingly, the issued share capital of the Company was reduced by the nominal value thereof. Details of the transaction are set out in the offer document dated 17 July 2018 and the announcements of the Company dated 29 May 2018, 16 August 2018 and 24 August 2018.

15. CAPITAL COMMITMENTS

At 30 June 2018, the Group had no significant capital commitments (31 December 2017: 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 2018	**5,272,000**
Exercised during the period	**–**
Lapsed during the period	**(3,830,000)**
Outstanding at 30 June 2018	**1,442,000**

17. CONTINGENT LIABILITIES

At 30 June 2018, the Group had the following contingent liabilities, which have not been provided for in the condensed consolidated financial statements:

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(d) 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 2018, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$643 million) at 30 June 2018 (31 December 2017: RMB542 million (HK$648 million)) and the related interest amounting to RMB447 million (HK$530 million) (31 December 2017: RMB413 million (HK$494 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.

17. CONTINGENT LIABILITIES (CONTINUED)

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	**2018 HK$ million**	2017 HK$ million
SOCL and its subsidiaries		
Dividend income	**2**	1
Waiver of the fee payments by the Group	**32**	–
Interest expenses	**–**	14
Rental expenses	**–**	1

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

	Six months ended 30 June	
Nature of transactions	**2018 HK$ million**	2017 HK$ million
Interest income	**–**	131
Imputed interest income	**–**	5
Management fee income	**–**	9
Interest expenses	**6**	12
Subcontracting work expenses	**5**	–

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

	Six months ended 30 June	
Nature of transactions	**2018 HK$ million**	2017 HK$ million
Interest income	**–**	17
Imputed interest income	**–**	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.

18. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) 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	
	2018 **HK$ million**	2017 HK$ million
Fees	**1**	1
Salaries and other benefits	**12**	12
Bonuses	**3**	3
Retirement benefit scheme contributions	**–**	1
	16	17

Note:

The remuneration of Executive Directors is determined by the Remuneration Committee having regard to the performance of each individual. The Remuneration Committee also determines the guiding principles applicable to the remuneration of key executives who are not Directors. In both cases, the Remuneration Committee has regard to market trends.

(f) The emoluments paid or payable to each of the five (2017: seven) Directors which were included in note (e) above are set out as follows:

For the six months ended 30 June 2018

Name of Director	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Share Based Payments HK$'000	Total HK$'000
Mr. Lo Hong Sui, Vincent		**5**	**–**	**–**	**–**	**5**
Mr. Wong Yuet Leung, Frankie		**5**	**3,505**	**–**	**–**	**3,510**
Ms. Li Hoi Lun, Helen	(i)	**248**	**–**	**–**	**–**	**248**
Mr. Chan Kay Cheung	(i)	**298**	**–**	**–**	**–**	**298**
Mr. William Timothy Addison	(i)	**228**	**–**	**–**	**–**	**228**
		784	**3,505**	**–**	**–**	**4,289**

18. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(f) (Continued)

For the six months ended 30 June 2017

Name of Director	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Share Based Payments HK$'000	Total HK$'000
Mr. Lo Hong Sui, Vincent		5	–	–	–	5
Mr. Wong Yuet Leung, Frankie		5	3,391	–	–	3,396
Ms. Li Hoi Lun, Helen	(i)	242	–	–	–	242
Mr. Chan Kay Cheung	(i)	298	–	–	–	298
Mr. William Timothy Addison	(i)	215	–	–	–	215
Mr. Tsang Kwok Tai, Moses	(ii)	158	–	–	–	158
Mr. Gerrit Jan de Nys	(iii)	70	–	–	–	70
		993	3,391	–	–	4,384

Notes:

(i) Independent Non-executive Directors.

(ii) Mr. Tsang Kwok Tai, Moses did not stand for re-appointment as a Non-executive Director upon expiration of the term of his service contract on 7 September 2017.

(iii) Mr. Gerrit Jan de Nys resigned as a Non-executive Director with effect from 1 March 2017.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

At 30 June 2018, the only financial instrument of the Group that was measured subsequent to initial recognition at fair value was financial assets at fair value through other comprehensive income, of which the fair value 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).

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

DISCLOSURE UNDER RULES 13.20 AND 13.21 OF THE LISTING RULES

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

Financial assistance and guarantees provided by the Group to New Pi (Hong Kong) Investment Co., Ltd. ("New Pi") and certain of its subsidiaries were HK$1,629 million at 30 June 2018, which comprises:

	HK$ million
Receivables	456
Guarantees	1,173
	1,629

The receivables are unsecured, repayable on demand and out of the total outstanding balance, an amount of HK$142 million carries interest at prevailing market rates. The above balances are in relation to the disposal of a former subsidiary group in prior years to New Pi. Further details of the receivables and guarantees are set out in notes 9(d) and 17 to the condensed consolidated financial statements.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 8 May 2017, a written agreement (the "Indenture", as amended by a supplemental indenture dated 25 May 2018) was entered into between the Company as issuer and Citicorp International Limited as trustee, pursuant to which the US$280 million 6.25% senior notes due 2020 (the "Notes") were issued. 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. Please refer to the announcements of the Company dated 27 April 2017, 5 June 2017, 8 May 2018 and 28 May 2018 for details about the Notes.

On 20 November 2017, Lancewood Enterprises Limited ("Borrower I") and Chengdu Xianglong Real Estate Co., Ltd. ("Borrower II"), both being indirect wholly-owned subsidiaries of the Company, entered into facility agreements with China CITIC Bank International Limited ("Lender I") and CITIC Bank International (China) Limited, Shanghai Branch ("Lender II") respectively whereby Lender I and Lender II agreed to make available to Borrower I and Borrower II a HK$320 million three-year term loan facility and a RMB120 million three-year term loan facility (collectively the "Loan Facilities") respectively. Pursuant to the aforesaid facility agreements, there is a condition requiring that (i) Shui On Company Limited remains the single largest shareholder of the Company; and (ii) Mr. Lo Hong Sui, Vincent remains the Chairman of the Company and has the right to nominate the majority of the members of the Board of Directors of the Company. Details of the requirement were set out in the announcement of the Company dated 20 November 2017.

Any breach of the above obligations will cause a default in respect of the Notes and the Loan Facilities and may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately HK$3,290 million at 30 June 2018.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At 30 June 2018, 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
Name of Director	Personal interests	Family interests	Other interests	Total	(Note 1)
Mr. Lo Hong Sui, Vincent	–	312,000 (Note 2)	234,381,000 (Note 3)	234,693,000	48.44% (Note 4)
Mr. Wong Yuet Leung, Frankie	3,928,000	–	–	3,928,000	0.81% (Note 5)

Notes:

1. Based on 484,410,164 shares of the Company in issue at 30 June 2018.
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 comprised 232,148,000 shares beneficially owned by Shui On Company Limited ("SOCL") and 2,233,000 shares held by Shui On Finance Company Limited ("SOFCL"), 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 the founder and 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.
4. Increased to 61.05% based on 384,410,164 shares of the Company in issue at 24 August 2018 upon completion of the Offer as referred to in the section headed "Purchase, Sale or Redemption of Listed Securities" below.
5. Increased to 1.02% based on 384,410,164 shares of the Company in issue at 24 August 2018 upon completion of the Offer as referred to in the section headed "Purchase, Sale or Redemption of Listed Securities" below.

Save as disclosed above, at 30 June 2018, 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

At 30 June 2018, the interests of substantial shareholders (not being a Director or chief executive of the Company) in the shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of shares	Approximate percentage of issued shares (Note 1)
Mrs. Lo	Family and personal interests	234,693,000 (Notes 2 & 4)	48.44% (Note 5)
SOCL	Beneficial owner and interest of controlled corporation	234,381,000 (Notes 3 & 4)	48.38% (Note 6)
HSBC Trustee	Trustee	234,381,000 (Notes 3 & 4)	48.38% (Note 6)
Bosrich	Trustee	234,381,000 (Notes 3 & 4)	48.38% (Note 6)

Notes:

1. Based on 484,410,164 shares of the Company in issue at 30 June 2018.
2. These shares comprised 312,000 shares beneficially owned by Mrs. Lo and 234,381,000 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under the SFO as mentioned in Note 3 below.
3. These shares comprised 232,148,000 shares beneficially owned by SOCL and 2,233,000 shares held by SOFCL, an indirect wholly-owned subsidiary of SOCL. SOCL was owned by the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and one of the discretionary beneficiaries and 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.
4. All the interests stated above represent long positions.
5. Increased to 61.05% based on 384,410,164 shares of the Company in issue at 24 August 2018 upon completion of the Offer as referred to in the section headed "Purchase, Sale or Redemption of Listed Securities" below.
6. Increased to 60.97% based on 384,410,164 shares of the Company in issue at 24 August 2018 upon completion of the Offer as referred to in the section headed "Purchase, Sale or Redemption of Listed Securities" below.

Save as disclosed above, at 30 June 2018, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register which is 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 2018 are set out as follows:

Name or category of eligible participant(s)	Date of grant	Subscription price per share HK$	Number of shares subject to options: At 1.1.2018	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	At 30.6.2018	Period during which the options are/were 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	1,442,000	–	–	–	–	1,442,000	1.5.2015 to 27.7.2021
	14.6.2013	9.93	3,130,000	–	–	(3,130,000)	–	–	14.12.2013 to 13.6.2018
Sub-total			4,572,000	–	–	(3,130,000)	–	1,442,000	
Total			5,272,000	–	–	(3,830,000)	–	1,442,000	

Notes:

1. The share options granted on 28 July 2011 and 14 June 2013 are/were 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 was 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 2018.

Subsequent to 30 June 2018, the Company bought-back a total of 100,000,000 shares of the Company at a price of HK$2.50 per share pursuant to the cash offer made by UBS AG Hong Kong Branch on behalf of the Company (the "Offer"). All the 100,000,000 shares bought-back by the Company were cancelled upon completion of the Offer on 24 August 2018. Please refer to the offer document dated 17 July 2018 and the announcements dated 16 August 2018 and 24 August 2018 issued by the Company for further details about the Offer.

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 2018, 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 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 2018, 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 has been 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 31 May 2018. 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 2018.

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 2017 Annual Report are set out as follows:

Name of Director	Details of changes
Mr. Lo Hong Sui, Vincent	• Appointed as a member of the board of directors of Boao Forum for Asia with effect from 9 April 2018
Ms. Li Hoi Lun, Helen	• Appointed as a member of the Finance Committee of the Company with effect from 1 June 2018
Mr. William Timothy Addison	• Service contract for serving as an Independent Non-executive Director of the Company renewed for a term of two years commencing from 25 May 2018

Details about the emoluments of the Directors of the Company for the six months ended 30 June 2018 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)

Ms. Li Hoi Lun, Helen

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

BNP Paribas

China CITIC Bank International Limited

Hang Seng Bank, Limited

Industrial and Commercial Bank of China Limited

Shanghai Commercial Bank Limited

Standard Chartered Bank (Hong Kong) Limited

STOCK CODES

Shares: 983

Senior Notes: 4518

WEBSITE

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