瑞安建業
SOCAM DEVELOPMENT
Stock Code: 983

Interim Report 中期報告 2019

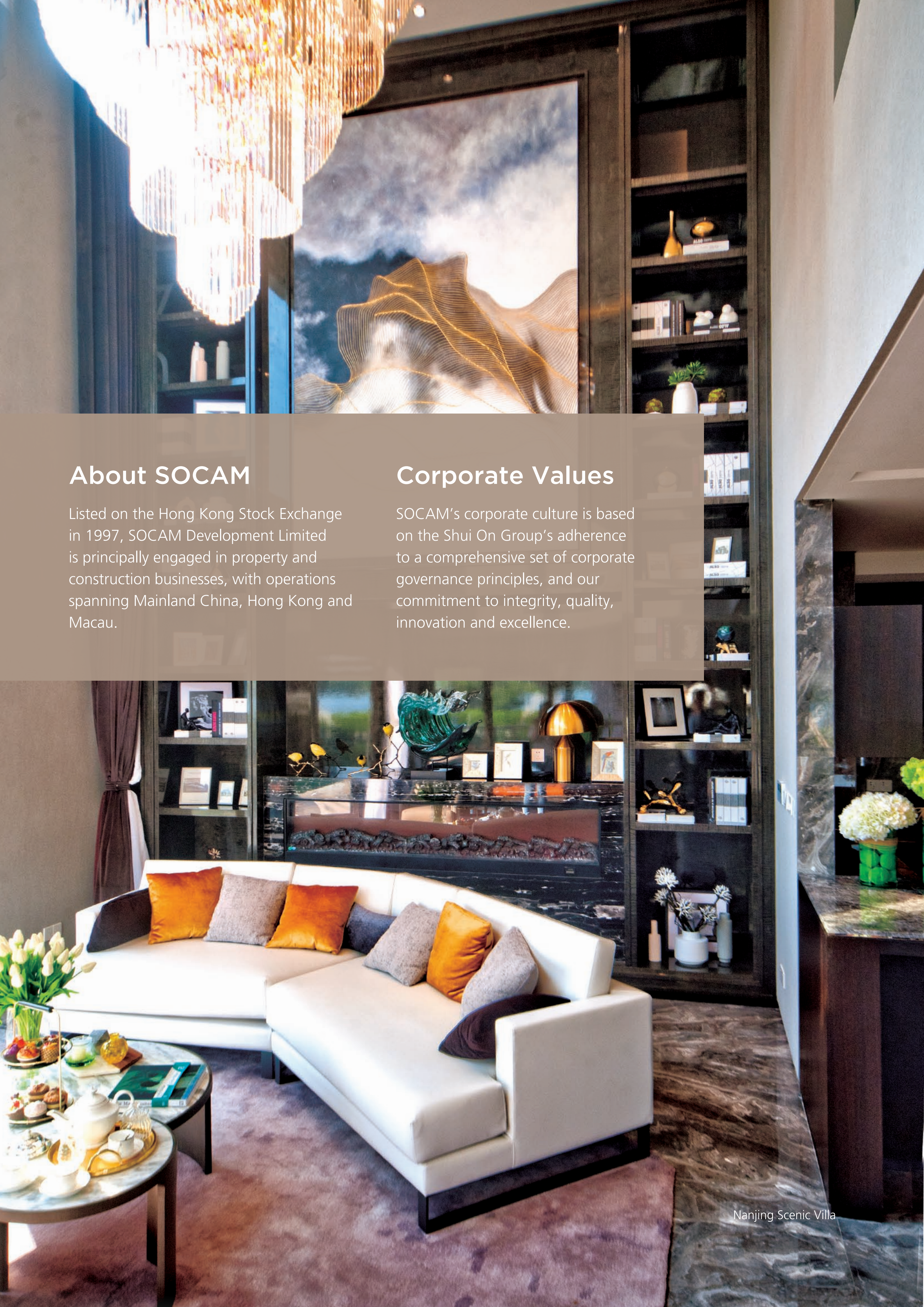
RESTORE
SHAREHOLDER VALUE
重建股東價值

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 Mainland China, 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.



Nanjing Scenic Villa

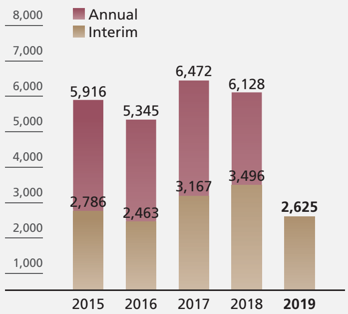
Contents
目 錄

FINANCIAL HIGHLIGHTS

HK$ million	Six months ended 30 June 2019	2018	2017	2016	2015 (Re-presented)
Turnover					
SOCAM and subsidiaries	**2,625**	3,496	3,167	2,463	2,786
Share of joint ventures and associates	**13**	17	421	894	298
Total	**2,638**	3,513	3,588	3,357	3,084
Profit (loss) attributable to shareholders	**11**	(79)	(197)	(711)	(629)
Basic earnings (loss) per share	**HK$0.03**	(HK$0.16)	(HK$0.41)	(HK$1.47)	(HK$1.30)
	At 30 June	At 31 December			
Total assets (HK$ billion)	**10.1**	10.6	12.0	9.2	12.3
Net assets (HK$ billion)	**2.9**	2.9	3.6	3.8	5.5
Net asset value per share (HK$)	**7.53**	7.52	7.36	7.92	11.44
Net gearing	**57.5%**	84.9%	53.6%	33.5%	21.0%

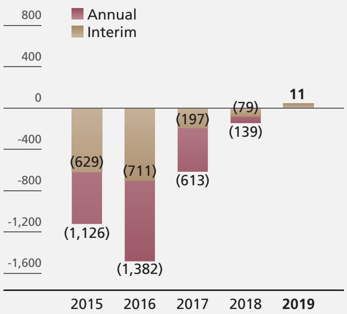
Turnover

HK$ million



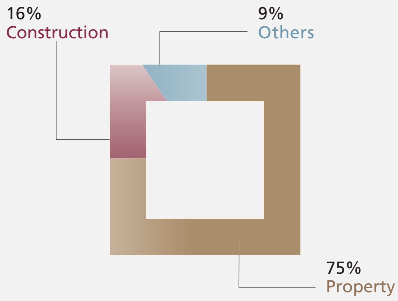
Profit (Loss) Attributable to Shareholders of the Company

HK$ million



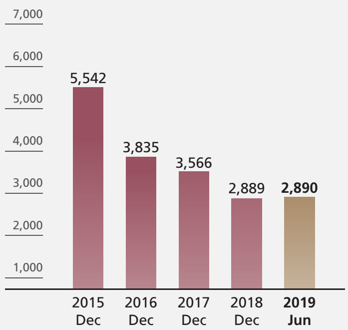
Assets Employed

At 30 June 2019



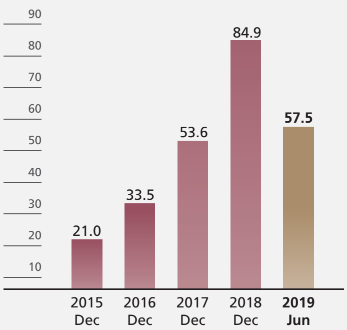
Equity Attributable to Shareholders of the Company

HK$ million



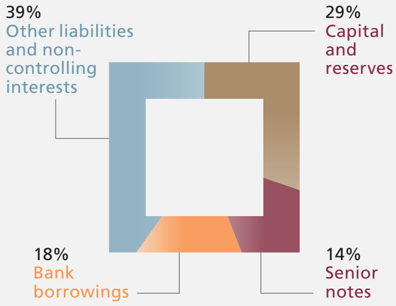
Net Gearing

Percentage



Capital and Liabilities

At 30 June 2019



MANAGEMENT DISCUSSION AND ANALYSIS

SOCAM returned to profitability during the first six months of the year as we continued to make good progress on our strategy of revitalising the business and restoring value to shareholders.

Market Environment

The economies of the Group's principal markets, namely Mainland China, Hong Kong and Macau, showed signs of slowing in the first half of 2019 in the face of global headwinds. For China, annual GDP growth eased to 6.2 per cent in the second quarter of 2019, down from 6.7 per cent in the same period of 2018, as US-China trade tensions continued. Although this was the weakest figure for 27 years, it was still within the Central Government's target of slowing growth to around 6.0 per cent to 6.5 per cent for this year. Despite some volatility, the Renminbi and US dollar rate ended the first half of 2019 very close to where it started the year. In early August, however, it depreciated further against the US dollar, passing the seven Renminbi to one US dollar mark for the first time since 2008.

GDP growth also slowed in Hong Kong during the first half, dropping to an annual rate of 0.5 per cent, down from 4.0 per cent in the first half of 2018. While the budget surplus for the 2018/2019 fiscal year is expected to shrink to HK$58.7 billion, down from a record HK$149 billion in 2017/2018, total fiscal reserves are expected to reach HK$1,161.6 billion. The HKSAR Government has previously announced plans to use some of these reserves to fund infrastructure and ancillary works relating to housing, as well as development projects for hospitals and schools, which is expected to create expanding tendering opportunities for our construction business over the medium term.

Summary of SOCAM's Progress

The core of SOCAM's turnaround strategy in recent years has been to restore shareholder value, improve cash flow and reduce debt whilst revitalising its businesses. The first six months of 2019 saw further progress on these fronts as the Group restored profitability in its operations. During the period, a number of acquisitions and disposals were successfully completed that have strengthened the balance sheet and improved cash flow.

Net profit attributable to shareholders in the first half of 2019 was HK$11 million as contrasted with the net loss attributable to shareholders of HK$79 million in the corresponding period of 2018, while Group turnover in the first half of 2019 decreased by 25 per cent against the same period of 2018 to HK$2.6 billion. The improvement in net profit was achieved despite an operating environment that was in many aspects unfavourable, with rising trade tensions between China and the US, property controls in Mainland China and slower economic growth in China, Hong Kong and Macau. The Property business recorded increased rental income and higher disposal gains while the Construction business reported higher profit margins.

The commercial building in Kwun Tong

Key Corporate Developments

Acquisition of Property Management Business in Hong Kong

SOCAM has been actively exploring investment opportunities that are beneficial to its long-term development. In April 2019, the Group acquired the property management business of the Shui On Private Group in Hong Kong for a cash consideration of HK$35 million.

Shui On Properties Management (SOPM) has been providing quality and customer-oriented property management services in Hong Kong for over 30 years. It is currently managing a diversified portfolio of premises in Hong Kong, embracing residential estates, grade-A office building, shopping centres and carparks. SOPM will contribute stable income and cash flow to the Group, and is well poised to expand its property management portfolio, as and when suitable opportunities arise.

Disposal of Partial Interests in Nanjing Jiangnan Cement

SOCAM announced on 14 May 2019 that the Group entered into a Sale and Purchase Agreement with a subsidiary of Shui On Land (SOL) for the disposal of the Group's 58 per cent equity interest in Great Market Limited for a consideration of approximately RMB147.9 million. Great Market Limited holds a 60 per cent equity interest in Nanjing Jiangnan Cement Co., Ltd (NJC), a joint venture that operates a cement grinding mill in Nanjing. Following the disposal, the Group will hold a 42 per cent equity interest in Great Market Limited and the effective equity interest in NJC was reduced from 60 per cent to 25.2 per cent. The disposal was duly completed on 28 June 2019, following the approval of independent shareholders of the Company at a Special General Meeting held on the same date.

In recent years, the Nanjing Municipal Government has planned to redevelop Qixia District, in which the cement grinding mill is located. The disposal will enable the Group to leverage SOL's expertise in land conversion and master planning for redevelopment of the plant site, while retaining a 25.2 per cent effective equity interest in NJC to participate in the potential upside resulting from the land redevelopment.

Tender Offer for Purchase of Senior Notes

On 17 May 2019, SOCAM announced a tender offer to purchase for cash the 6.25 per cent senior notes due 2020 issued by the Company up to the maximum aggregate principal amount of US$80 million. The offer aims to allow the Group to control its balance sheet liabilities, optimise its debt structure and reduce its financing costs.

Upon expiration of the tender offer on 31 May 2019, the Company accepted for purchase all the senior notes in an aggregate principal amount of approximately US$76.7 million that were validly tendered. Settlement of the tender offer took place on 10 June 2019, and the total purchase consideration for the senior notes accepted for purchase, plus accrued interest, amounted to approximately US$77.1 million.

Disposal of Commercial Property in Kwun Tong

On 19 July 2019, SOCAM announced that the Group entered into the Sale and Purchase Agreement for the disposal of the commercial building situated at No. 93 Wai Yip Street, Kwun Tong, Kowloon for a consideration of approximately HK$386.7 million. The disposal represents a good opportunity for the Group to realise its investment in this commercial property for an attractive return. Completion is expected to take place by October 2019.

Resumption Compensation for Kaili Cement Plant

SOCAM announced on 23 July 2019 that its subsidiary, Kaili Shui On Cement, entered into the Resumption Compensation Agreement with the Kaili Municipal Government, Guizhou, pursuant to which the latter has agreed to compensate the subsidiary an amount of approximately RMB171.0 million to resume the cement plant and its site, and to reimburse the costs and expenses incurred by the Group in having closed the operation of the cement plant since 2010 as a result of the Central Government's policy of phasing out backward and energy-inefficient cement production capacity.

It is expected that the Kaili Municipal Government will redesignate the cement plant site for commercial and residential developments. The Kaili Municipal Government intends to put this cement plant site up for sale by way of a tender, auction or a listing-for-sale (Public Auction) after the land redesignation and has invited the Group to participate. The Group is prepared to participate in the Public Auction. The Company understands that the Kaili Municipal Government will use its reasonable endeavours to complete the Public Auction on or before 30 September 2019. If the cement plant site is successfully taken up by a party other than the Group, the compensation will be paid to Kaili Shui On Cement after completion of the disposal of the cement plant site under the Public Auction.

PROPERTY

The Group strove to revamp its retail properties to enhance turnover, footfall and rentals. This asset enhancement strategy has made good progress so far in 2019.

Shenyang Tiandi

Nanjing Scenic Villa

PROPERTY

Market Review

The residential property market in Mainland China weakened slightly in the first half of 2019. Although average new home prices in the major cities showed year-on-year growth, the sales area of residential property across the nation decreased slightly in the first half of 2019. With the Central Government determined to stabilise the housing market, each city is now allowed to adopt its own control policies and measures.

The commercial sector presents a mixed picture. Retail sales in the first half of 2019 were stable and there was further rapid expansion of e-commerce, challenging traditional retail environments. However, new technologies such as big data, artificial intelligence and mobile internet, as well as mature logistics systems, are contributing to better integration of traditional retail stores and online platforms. Vacancy rates and rental growth for the retail and office sectors varied from city to city due to individual market dynamics.

Chengdu

The local government announced its "First-store Economy" Plan in 2019, and the retail market has continued to welcome international brands establishing their first store in Chengdu. According to Colliers International, both city-wide vacancy rates and average first-floor mall rents remained stable in the first half of 2019, while there was year-on-year growth in sales of consumer goods.

In the office sector, demand for office space decreased due to a significant fall in the number of companies entering Sichuan province compared to 2018. Slowing market demand pushed up the overall vacancy rate of Grade A offices, while rents remained stable in the first half of 2019.

Chongqing

With the number of brands entering Chongqing increasing, market demand picked up in the first half of 2019. As a result, the overall vacancy rate dropped, while city-wide average first-floor rents remained stable. Chongqing's growing consumer power and the accelerating online and offline linkages will remain conducive to the development of the city's retail market.

Nanjing

New home prices in Nanjing remained stable, with a slight increase of 2.85 per cent year-on-year in the first half of 2019, according to the National Bureau of Statistics. As the local government relaxed property-purchasing limitations in June 2019, the residential property market is expected to grow steadily.

Shenyang

Affected by intense competition among shopping malls and frequent tenant mix adjustments, city-wide vacancy rates increased slightly in the first half of 2019, according to JLL. Vacancy rates are poised to decline, as child-related, food and beverage and entertainment businesses continue to expand in community-focused malls.

Tianjin

Retail leasing demand remained stable in the first half of 2019, mainly driven by catering and child-related tenants, according to Savills. There was a slight fall in vacancy rates, while average first-floor rents were stable.

Operating Performance

The Group's property business recorded a profit of HK$172 million, excluding foreign exchange losses of HK$8 million, on a turnover of HK$746 million for the first six months of 2019, as compared with the profit of HK$150 million, excluding the foreign exchange losses of HK$16 million, and turnover of HK$822 million in the same period of 2018.

As of 30 June 2019, the Group owned seven projects in Mainland China and Hong Kong, which are summarised in the table below. The Group's property portfolio in the Mainland comprised a total developable gross floor area (GFA) of 445,200 square metres, of which 433,600 square metres were attributable to the Group. Within this portfolio, 378,100 square metres were completed properties, and 67,100 square metres were currently under development.

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
Chengdu	Centropolitan	–	33,300	43,000	92,300	**168,600**	168,600	Completed
Chongqing	Creative Concepts Center	–	–	21,000	9,900	**30,900**	30,900	Completed
Guangzhou	Parc Oasis	–	–	300	4,800	**5,100**	5,100	Completed
Nanjing	Scenic Villa	24,600	–	–	10,600	**35,200**	35,200	2020
Shenyang	Shenyang Project Phase1	–	1,800	62,200	22,500	**86,500**	86,500	Completed
Tianjin	Veneto Phase 1**	–	–	63,600	2,500	**66,100**	59,500	Completed
	Veneto Phase 2**	–	12,800	36,600	800	**50,200**	45,200	2020
Hong Kong	93 Wai Yip Street ***	–	2,600	–	–	**2,600**	2,600	Contracted for disposal
Total		24,600	50,500	226,700	143,400	**445,200**	433,600	

* The GFA shown excludes sold and delivered areas.

** SOCAM has 90 per cent interest in this project.

*** Disposal of the project is expected to complete in October 2019.

In the first six months of 2019, the Group recognised revenue of HK$673 million (1H 2018: HK$786 million) and profit of HK$113 million from property sales (1H 2018: HK$137 million). The Group handed over 95 villas, with a total GFA of 26,970 square metres, and 29 car parking spaces in Nanjing Scenic Villa, as well as three SOHO units and 424 car parking spaces at Chengdu Centropolitan.

In addition, the Group contracted sales of 146 retail shops, with a total GFA of approximately 5,720 square metres in Phase 2 of Tianjin Veneto for a total sales amount of RMB193 million during the period, following the sales launch in January 2019.

On 12 July 2019, the Group entered into the Sale and Purchase Agreement for the disposal of the educational premises in Chengdu Centropolitan, with a total GFA of approximately 3,600 square metres, to EtonHouse Education Services for a consideration of RMB45.5 million. The premises are currently occupied by the purchaser's affiliate as tenant under a tenancy agreement signed previously.

Major Property Sales by Project during the Period:

Project	1H 2019			1H 2018		
	Contracted sales		Handover	Contracted sales		Handover
	Contracted amount* (RMB million)	GFA sold (sq.m.)/no. of carpark sold	GFA delivered (sq.m.)/no. of carpark delivered	Contracted amount* (RMB million)	GFA sold (sq.m.)	GFA delivered (sq.m.)
Scenic Villa (Residential)	**245**	**11,960**	**26,970**	208	10,760	25,200
Veneto Phase 2 (Retail)	**193**	**5,720**	**–**	–	–	–
Centropolitan (Car park)	**70**	**426 units**	**424 units**	–	–	–
(SOHO Tower)	**–**	**–**	**200**	263	17,750	15,200

* VAT inclusive

For the first six months in 2019, total gross rental income before deduction of applicable taxes from the Group's retail and office properties in the Mainland was approximately RMB32 million, up from RMB22 million in the same period in 2018, mainly due to the leasing of the upper floors of the retail mall of Chengdu Centropolitan starting officially from August 2018, and improved operating performance of the office and retail premises following revamping and refurbishment. In Hong Kong, HK$1.4 million rental income was recorded for the first half of 2019.

Rental Income from Retail and Office Properties in Mainland China (Stated Before Deduction of Applicable Taxes):

Project	Rental income (RMB)			
	1H 2019	Monthly average	1H 2018	Monthly average
Centropolitan				
Retail*	**5,925,000**	**988,000**	3,665,000	610,000
Office	**10,222,000**	**1,704,000**	5,840,000	970,000
Creative Concepts Center Retail	**3,068,000**	**511,000**	2,112,000	350,000
Shenyang Tiandi Retail	**5,251,000**	**875,000**	4,761,000	790,000
Veneto Phase 1 Retail	**7,584,000**	**1,264,000**	5,562,000	930,000

* Levels 2-6 were officially opened in August 2018.

Rental Income from Office Property in Hong Kong:

Project	1H 2019	Monthly average	1H 2018	Monthly average
93 Wai Yip Street Office^	**HK$1,434,000**	**HK$239,000**	–	–

^ Acquired in December 2018.

Occupancy Rates of Retail and Office Properties in Mainland China:

Project	Total GFA (sq.m.)	Occupancy Rate	
		Jun 2019	Dec 2018
Centropolitan			
Retail	43,000	**85%**	83%
Office	33,300	**93%**	91%
Creative Concepts Center Retail	21,000	**93%**	93%
Shenyang Tiandi Retail	62,200	**79%**	80%
Veneto Phase 1 Retail	63,600	**74%**	83%

The Group operates four shopping malls in the Mainland, with a combined developable GFA of 189,800 square metres. Over the last two years, the Group strove to revamp, re-position and refurbish its retail properties to enhance turnover, footfall and rentals and compete in the current market, in which consumers value family-focused outlets that provide an all-round shopping, dining and entertainment experience.

Retail Properties Average Monthly Footfall:

Project	1H 2019	1H 2018
Centropolitan*	**263,000**	185,000
Creative Concepts Center	**50,000**	37,000
Shenyang Tiandi	**216,000**	195,000
Veneto Phase 1	**304,000**	281,000

* Levels 2-6 were officially opened in August 2018.

Chengdu Centropolitan

Nanjing Scenic Villa

Scenic Villa is a residential development located in Nanjing's Jiangning District with a developable GFA of approximately 35,200 square metres as at 30 June 2019, comprising completed properties of approximately 18,300 square metres and those under development of approximately 16,900 square metres.

Construction works on Phase 2 were completed by June 2019. Construction of the basement structure of Phase 3, which will consist of six commercial blocks with a total developable GFA of approximately 17,000 square metres, was completed in May 2019, and superstructure works will commence according to the market situation.

Up to 30 June, nearly all of the villas and 24 car parking spaces in Phase 1 were sold and handed over to buyers, with 3 villas and 28 car parking spaces remaining unsold. 213 villas and 25 car parking spaces, out of a total of 230 villas and 70 car parking spaces in Phase 2 were also sold or subscribed. Turnover on property sales recognised in the first half of 2019 amounted to RMB541 million, comprising 95 villas with a total GFA of 26,970 square metres in Phase 2 as well as 29 car parking spaces in Phases 1 and 2.

Chengdu Centropolitan

85%
Mall Occupancy Rate

+42%
Average Monthly Footfall

Completed in 2017, Chengdu Centropolitan is a mixed-use development, comprising residential, SOHO and offices, retail space and car parks. All residential and SOHO units have been sold. It had a total GFA of approximately 168,600 square metres as at 30 June 2019.

Leasing activity for the office tower progressed well, buoyed by demand for high quality office space in the district. As at 30 June 2019, the tower was 93 per cent let, compared with 91 per cent as at 31 December 2018. In July, it was fully let. Major tenants primarily came from the insurance and finance sectors.

Sales of car parking spaces at the project were launched in March 2019 after the title certificate for the basement was obtained. As at 30 June 2019, contracts for the sales of 426 car parking spaces, involving sales revenue of RMB70 million, were signed.

The integrated shopping mall of the project occupies approximately 43,000 square metres GFA. The basement and ground floor opened in December 2017, while levels 2 to 6 officially opened in August 2018. As at 30 June 2019, the occupancy rate of the mall was 85 per cent, compared with 83 per cent as at 31 December 2018.

Chongqing Creative Concepts Center

93%
Mall Occupancy Rate

+35%
Average Monthly Footfall

Located in Chongqing's Central Business District close to the busy Jiefangbei Square, the development was fully completed in 2013. Its office and residential portions have been sold, and the Group retains the 21,000 square metres GFA shopping mall and around 200 car parking spaces.

The mall was revamped in 2018 and re-positioned with a greater emphasis on lifestyle elements, including education and food and beverage. In the first half, the Group rented out a net leasable GFA of approximately 2,900 square metres to a health clinic. The mall achieved an occupancy rate of 93 per cent as at 30 June 2019, same level as at 31 December 2018.

Bar Street, Shenyang Tiandi

Shenyang Project Phase I

79% Mall Occupancy Rate

+11% Average Monthly Footfall

Completed in 2013, the residential and office portions of this project have been substantially sold. The Group currently holds Shenyang Tiandi, a 62,200 square metre shopping mall, office units of 1,800 square metres GFA and 389 car parking spaces in the city's commercial hub. The mall is undergoing an extensive revamp to re-position it as a 'destination point' for food and beverages and early child education to attract consumers from Shenyang's growing middle class.

During the first half of 2019, the Group continued to make steady progress in improving the tenant mix. As at 30 June 2019, the occupancy rate stood at 79 per cent, slightly lower than the 80 per cent as at 31 December 2018.

Tianjin Veneto

74% Mall Occupancy Rate

+8% Average Monthly Footfall

The Veneto is a European-style mall with a total GFA of 113,000 square metres in a prime location near Tianjin's Wuqing Station.

Phase 1 Shopping Mall

The substantial revamp of Phase 1, covering 63,600 square metres GFA, which began in 2016, has improved the tenant mix and enhanced the visitor experience. As at 30 June 2019, Phase 1 recorded an occupancy rate of 74 per cent, compared with 83 per cent as at 31 December 2018, mainly due to the termination of certain short-term leases and underperforming tenancies. Average monthly rental income for the first half of 2019 was 36 per cent higher than the corresponding period in 2018.

Construction and Sales of Phase 2

Construction work on the Phase 2 expansion, involving 49,400 square metres GFA of retail and SOHO spaces, is underway, with completion targeted for 2020. Strata-title sales of around 300 retail shops, out of a total of 486 units, were launched in stages since January 2019 after the pre-sale permits were obtained. As at 30 June 2019, sales of 146 shops with a total GFA of approximately 5,720 square metres were contracted for a total sales amount of around RMB193 million.

Guangzhou Parc Oasis

During the first six months, three car parking spaces were sold, generating revenue of around RMB1 million. The remaining 384 car parking spaces are currently held for leasing.

CONSTRUCTION

The Group's construction business provides a comprehensive range of building construction, maintenance and interior fitting out services, carried out by its three subsidiary companies: Shui On Construction Company Limited, Shui On Building Contractors Limited and Pat Davie Limited.

Hong Kong Garden 2019

CONSTRUCTION

Market Review

The Hong Kong economy expanded worse than expected, by 0.5 per cent year-on-year in the first half of 2019, after growth of 2.05 per cent in the preceding half. Faced with a likely deceleration in global economic expansion and increasing uncertainties in the external environment, in August 2019 the HKSAR Government lowered its forecast for Hong Kong's economic growth for 2019 from 2 to 3 per cent to 0 to 1 per cent.

Amidst the trade tensions between China and the United States, the biggest issue confronting Hong Kong since June 2019 has been the large-scale demonstrations arising from the proposed extradition bill. These have resulted in citywide chaos, negatively impacting business investment and overall economic activity. Meanwhile, significant delays in approving funding in the Legislative Council (Legco) of the HKSAR has led to a slowdown in the tendering and award of government projects.

The shortage of land and housing is another serious challenge faced by Hong Kong. In December 2018, the HKSAR Government revised its long-term housing strategy, raising the target for the proportion of public housing in the overall housing supply from 60 per cent to 70 per cent to address strong housing demand. The Government also updated its target to provide a total of 315,000 public housing units during the ten-year period from 2019-20 to 2028-29. Notwithstanding that the HKSAR Government has yet to secure all the sites needed to meet the public housing supply target, it has pledged to adopt a multi-pronged approach to secure more housing land, auguring well for a steady flow of public housing contracts from the Hong Kong Housing Authority in the coming years.

Macau's GDP contracted by 3.2 per cent year-on-year in the first quarter of 2019 and by 1.8 per cent in the second quarter. The gaming industry remains weighed down by the slowdown in the Mainland economy and registered declines in both quarters. However, tourism recovered in the second quarter and the revamps and rolling refurbishments of the casino hotels are expected to proceed as planned.

In both markets, the construction sector is facing a number of challenges in terms of both manpower and rising costs. The ageing population has led to a shortage of skilled and unskilled workers in the industry, and the situation is expected to deteriorate further. The tight conditions of the labour market, coupled with high construction materials prices and rising operating costs, have contributed Hong Kong having the third highest construction costs in the world.

Adoption of New Technology and Safety

In order to enhance competitiveness, the HKSAR Government is attaching high importance to promoting innovation and technology, and has set up a Construction Innovation and Technology Fund to help industries to harness automation and encourage wider adoption of innovative technologies.

SOCAM embraces these challenges, and has stepped up the adoption of new technology to enhance operational efficiency. Significant progress has been made on the application of Building Information Modelling (BIM), and the Group is planning to adopt Modular Integrated Construction (MIC), with a view to uplifting the productivity, quality, safety and environmental performance of construction projects, and coping with new contract requirements of government projects.

Safety has always been a top priority for SOCAM. With our continued efforts in promoting and strengthening safety at worksites, we have earned recognition from a number of organisations during the first half of this year. SOC's design-and-build project, the Junior Police Officers Married Quarters in Fan Garden, Fanling, garnered the Gold Award in Building Sites (Public Sector) in the Construction Industry Safety Award Scheme 2018/2019 organised by the Labour Department. SOBC won three Gold Awards in the Construction Safety Promotional Campaign 2019 organised by the Occupational Safety & Health Council.

Operating Performance

The Group's construction business has gone from strength to strength despite the recent ups and downs of the industry in Hong Kong and Macau, and recorded a further increase in profit in the first six months of 2019:

	1H 2019	1H 2018
Profit	**HK$103 million**	HK$96 million
Turnover	**HK$1.9 billion**	HK$2.7 billion

The business reported a profit of HK$103 million on a turnover of HK$1.9 billion for the first half of 2019, compared with a profit of HK$96 million and turnover of HK$2.7 billion for the corresponding period in 2018.

New Contracts Awarded and Workload

	1H 2019	1H 2018
New contracts awarded	**HK$2,069 million**	HK$456 million
	30 Jun 2019	31 Dec 2018
Gross value of contracts on hand	**HK$15.5 billion**	HK$14.1 billion
Gross value of contracts to be completed	**HK$7.8 billion**	HK$7.3 billion

Riding on SOCAM's solid presence in the market, the Group has expanded its order book. During the first six months of 2019, 27 new construction, renovation and fit-out contracts in Hong Kong and Macau worth a total of HK$2,069 million were secured, compared with the HK$456 million achieved in the same period of 2018. SOBC won HK$1,559 million new contracts, while PDL was awarded HK$510 million of new projects, primarily in Hong Kong.

As at 30 June 2019, the gross value of contracts on hand was HK$15.5 billion and the value of outstanding contracts to be completed was HK$7.8 billion, compared with HK$14.1 billion and HK$7.3 billion respectively as at 31 December 2018.

Public Housing Project at Shek Kip Mei Estate Phase 6

Progress of Existing Projects

During the first six months of 2019, the Group's construction projects continued apace and on schedule, including the public housing project at Shek Kip Mei Estate Phases 3, 6 and 7, the design and build project at the Junior Police Officers Married Quarters at Fan Garden, the Central Market Revitalisation Project for the Urban Renewal Authority (URA), and a number of maintenance works term contracts and fitting out/ renovation contracts.

Projects Completed

A number of construction projects were completed during the first six months of 2019, which included, among others:

- Design and construction of the Hong Kong Garden at the Beijing International Horticultural Exhibition 2019
- Fitting out / refurbishment contracts for the Skycity Marriott Hotel and the Clifford C F Wong Secondary Library in Hong Kong and Altira in Macau.

Shui On Building Contractors Limited (SOBC)

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. Its subsidiary, Pacific Extend Limited, which was established in 2000, principally undertakes maintenance and minor works for government organisations and public utilities.

New contracts secured by SOBC during the first half of 2019 totalled HK$1,559 million, which included:

- Construction of a public housing development in Chai Wan for the Hong Kong Housing Authority
- A 3-year term contract for minor works for Kowloon West Cluster, awarded by Hong Kong's Hospital Authority
- A 2-year term contract for minor works at various premises in Shatin Racecourses for the Hong Kong Jockey Club

During the first half of 2019, SOBC's construction projects continued to progress well, including the public housing project at Shek Kip Mei Estate Phases 3, 6 and 7, which will provide 1,543 housing units upon completion in 2019, the term contract for the design and construction of fitting out works for the Architectural Services Department (ASD), the minor works term contract for the Education Bureau, the architectural and building works term contract for the MTR Corporation Limited, and the term contract for design and construction of minor building and civil engineering works for CLP Group.

Maintenance works for CLP Group

Shui On Construction Company Limited (SOC)

SOC has extensive experience in the construction of commercial and institutional projects for government and major clients, including luxury hotels, office buildings, hospitals, universities and recreational parks.

During the first six months of 2019, SOC continued to make progress on its contract from the ASD for the design and construction of the Junior Police Officers Married Quarters at Fan Garden, which will provide 1,184 flats upon completion in 2020, as well as the Central Market Revitalisation Project for the URA.

SOC completed the contract for the design and construction of the Hong Kong Garden at the Beijing International Horticultural Exposition 2019.

Shek Kip Mei Estate Phases 3 and 7

Junior Police Officers Married Quarters at Fan Garden, Fanling

In the first half, SOC submitted tenders to the ASD for the design and construction contracts, worth over HK$8 billion, for the Redevelopment of Kwai Chung Hospital (Phase 2), Private Residential Care Homes for the Elderly at Kwu Tung North, and an office building for the Drainage Services Department. The award of these contracts is subject to the funding approval of the Finance Committee of the Legco, which is expected to resume meetings in October 2019. We are cautiously optimistic about our chances of securing some of these contracts.

Pat Davie Limited (PDL)

PDL is recognised as a market leader in fast-track, high quality interior fitting out for large clients, including corporate offices, hotels, banks, clubs, retail outlets and shopping arcades.

PDL continues to be very active in the fit-out and refurbishment markets of both Hong Kong and Macau. In the first six months of 2019, it secured a total of 22 new contracts with an aggregate value of HK$510 million primarily in the commercial sector in Hong Kong. The major contracts secured during the period were the fitting out of the new Incubation Centre and SME Offices in the Hong Kong Science Park and the builder's works for the data centre of PCCW in Fotan.

PDL has executed well on the projects it secured. During the first half of 2019, contracts worth a total of HK$206 million and HK$54 million were completed in Hong Kong and Macau respectively. These included the fitting out and refurbishment works on the Skycity Marriott Hotel and the Clifford C F Wong Secondary Library in Hong Kong, and the Megstar restaurant in Altira Macau.

Tianjin Veneto

OUTLOOK

The second half of 2019 looks set to remain challenging for our businesses, with the risk of a global recession or even a financial crisis as China-US tensions escalate. Amidst the trade tensions, tariffs on a further US$300 billion of Chinese exports announced in August 2019, and weakening of the Renminbi cause volatility in global financial markets. Combined with global economic uncertainty, this will exert further downward pressure on Chinese exports, although the domestic economy is expected to remain firm. In Mainland China, ongoing control policies in the residential sector should help to keep the market stable. Robust consumer spending is expected to support retail sales, which were resilient during the first half of 2019 although mall operators face competition from online players.

Despite the uncertain environment, SOCAM will continue to execute its plans. The Group's asset enhancement strategy has made good progress so far in 2019 and in addition to completing the disposal of the Kaili cement plant and the Kwun Tong commercial building we will consider further acquisition and disposal opportunities as they arise. In addition, riding on the positive market response, the Group will conduct further strata-title sales of retail and commercial units at Tianjin Veneto Phase 2 and advance the en-bloc disposal of our property assets. In the retail sector, the Group's investment in its portfolio of malls in Mainland China to bring a 'lifestyle experience' based on innovative leisure and food and beverage offerings will enable it to meet the challenge of the changing retail environment as e-commerce continues to grow. Further refinement of the tenant mix will target higher rental rates.

The economies of both Hong Kong and Macau will continue to feel the effect of the slowdown in the Mainland China's economy and the trade tensions, while Hong Kong faces the urgent need to resolve the current social turbulence and rebuild confidence. Construction material costs somewhat stablised in recent months, and we foresee a downward trend going forward. The political wrangling in Legco over funding that has led to unpredictable workload peaks and troughs for government projects will also continue to pose industry-wide challenges.

Hong Kong has undergone many upheavals in its history, but each time emerges stronger than before. We remain confident regarding our business development in Hong Kong. With more than HK$2 billion of new contracts won in the first six months of 2019 and with HK$15.5 billion gross value of contracts on hand, the Group's construction business is expected to perform well in the second half. Over the slightly longer term, the HKSAR Government's decision to raise the proportion of public housing to 70 per cent and provide 315,000 more public housing units by 2028-29 should see a steady flow of public housing contracts, while HK$200 billion is earmarked for hospital development. SOBC and SOC are well placed to compete for and secure some of these projects including those we have tendered for recently. In Macau, despite a slow-down in the economy and the gaming sector, programmes already in place to refurbish hotels and restaurants will yield further opportunities for PDL.

FINANCIAL REVIEW

Improved results in both our property and construction businesses saw SOCAM record a profit in the first six months of 2019, a major milestone in our turnaround strategy.

Palace Café at Wynn Palace Cotai, an interior fitting out project

Interim Results

The Group's results for the six months ended 30 June 2019 recorded a profit of HK$11 million on a turnover of HK$2,625 million, a milestone achievement as compared with the loss of HK$79 million and turnover of HK$3,496 million for the corresponding period last year. The Board has resolved not to declare an interim dividend (2018: nil).

An analysis of the total turnover is as follows:

	Six months ended 30 June 2019 HK$ million	Six months ended 30 June 2018 HK$ million
Turnover		
SOCAM and subsidiaries		
Construction	**1,879**	2,674
Property	**746**	822
Total	**2,625**	3,496
Joint ventures		
Others	**13**	17
Total	**13**	17
Total	**2,638**	3,513

The construction business reported a 30 per cent 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 a number of sizable contracts in previous year including the mega-sized contract for the construction of the Hong Kong Children's Hospital in a joint venture with China State Construction; the construction of the Public Rental Housing at So Uk Estate Phase 2; and the construction of Home Ownership Scheme at Kai Tak Site 1G1(B). This, coupled with the relatively lower value of new contracts secured in 2018, rendered the substantial decrease in turnover recognised in the first half of this year.

Revenue from the property business decreased to HK$746 million, from HK$822 million in the prior interim period, as all the SOHO units of the Chengdu Centropolitan project had been sold during 2018. Such shortfall was substantially offset by the increased sales revenue recognised for more strata-title sales of villa units and increased average selling price achieved of the Nanjing Scenic Villa project and the launch of car park sales by the Chengdu Centropolitan project and the Nanjing Scenic Villa project during the first half of 2019.

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

	Six months ended 30 June 2019 HK$ million	Six months ended 30 June 2018 HK$ million
Property		
Profit from property sales	**113**	137
Net rental expenses	**(5)**	(22)
Fair value changes on investment properties, net of deferred tax provision	**29**	36
Gain on disposal of interest in a joint venture	**61**	–
Disposal of interest in Dalian Tiandi	**20**	60
Operating expenses, net of project fee income	**(46)**	(61)
	172	150
Construction	**103**	96
Net finance costs		
Senior notes	**(68)**	(76)
Bank and other borrowings	**(40)**	(34)
Marked-to-market loss of currency hedging contracts	**–**	(57)
Net foreign exchange losses	**(7)**	(24)
Corporate overheads and others	**(25)**	(28)
Taxation	**(99)**	(74)
Non-controlling interests	**(25)**	(32)
Total	**11**	(79)

Property

Property business reported an increased profit of HK$172 million for the current interim period, as compared with a HK$150 million profit for the previous interim period. As mentioned above, all SOHO units of Chengdu Centropolitan had been sold in 2018 and profit from property sales decreased accordingly in the interim period. The performance of all of the shopping malls of the Group and the office tower of Chengdu Centropolitan showed significant improvement in the first six months of 2019. While rental income of the Group's investment properties continued to increase, related direct rental expenses were reduced, which resulted in the decrease in net rental expenses incurred for the first half of 2019.

The disposal of 34.8 per cent effective interest out of the Group's 60 per cent interest in the cement grinding mill in Nanjing, at a consideration of approximately RMB148 million, to Shui On Land Limited was completed in June 2019 and a disposal profit of HK$61 million was recognised.

In December 2017, the Group completed the disposal of its 22 per cent interest in Dalian Tiandi for a consideration of RMB1.3 billion. As of 30 June 2019, the outstanding consideration payable was approximately RMB163 million. Interest income calculated at the rate of 15 per cent per annum on the overdue outstanding amount payable to the Group, amounting to HK$20 million, was recognised in the current interim period. In the previous interim period, a one-off write-back of approximately HK$32 million for fees payable relating to the Dalian Tiandi project was included.

Construction

Notwithstanding the decrease in turnover, the construction business posted higher profit for the current interim period. Average net profit before tax margin was 5.5 per cent of turnover, which was above the 3.6 per cent margin in the previous interim period, largely due to a sizable profit recognised in this interim period for the final account settlement of the project of Home Ownership Scheme at Kai Tak Site, which was completed in 2018.

Net finance costs

Total net finance costs of the Group remained stable for the first half of both 2019 and 2018. Since September 2018, the Company repurchased approximately US$98.4 million of its 6.25 per cent senior notes due May 2020, reducing the outstanding amount to approximately US$181.6 million as at 30 June 2019.

Foreign exchange losses

In the first six months of 2017, SOCAM took out several short-term foreign currency contracts to partially hedge against the risk of possible further depreciation of Renminbi so as to reduce the potential foreign exchange loss on the Group's Renminbi-denominated assets. The last hedging contract matured in May 2018 and a hedging loss of HK$57 million was incurred, due to the appreciation of the Renminbi against the United States dollar.

During the current interim period, the Renminbi registered a 0.4 per cent depreciation against the Hong Kong dollar, while the United States dollar registered a 0.3 per cent depreciation against the Hong Kong dollar. These resulted in net foreign exchange losses totalling HK$24 million for the current interim period, of which HK$7 million and HK$17 million were recognised in the condensed consolidated statement of profit or loss and the condensed consolidated statement of financial position respectively, comparing with the foreign exchange losses of HK$24 million and HK$35 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 2019 HK$ million	31 December 2018 HK$ million
Total assets	**10,100**	10,602
Net assets	**2,890**	2,889
	HK$	HK$
Net asset value per share	**7.5**	7.5

Total assets of the Group decreased to HK$10.1 billion at 30 June 2019, from HK$10.6 billion at 31 December 2018, following the progressive realisation of the Group's property inventories. The net assets of the Group and net asset value per share remained stable at 30 June 2019, when compared with those at 31 December 2018.

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

	30 June 2019 HK$ million	**%**	31 December 2018 HK$ million	%
Property	**7,611**	**75**	7,642	72
Construction	**1,564**	**16**	1,792	17
Corporate and others	**925**	**9**	1,168	11
Total	**10,100**	**100**	10,602	100

The proportion of total assets of each business segment remained relatively stable at 30 June 2019, when compared with that at 31 December 2018.

Equity, Financing and Gearing

The shareholders' equity of the Company remained at HK$2.9 billion on 30 June 2019 and 31 December 2018, because the HK$11 million profit for the period was offset by the decrease in translation reserve as a result of further depreciation of the Renminbi against the Hong Kong dollar.

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$1,661 million on 30 June 2019, as compared with HK$2,454 million on 31 December 2018.

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

	30 June 2019 HK$ million	31 December 2018 HK$ million
Bank borrowings repayable:		
Within one year	**998**	978
After one year but within two years	**454**	362
After two years but within five years	**371**	387
After five years	**21**	121
Total bank borrowings	**1,844**	1,848
US$ senior notes due 2020	**1,407**	2,023
Total bank and other borrowings	**3,251**	3,871
Bank balances, deposits and cash	**(1,590)**	(1,417)
Net bank and other borrowings	**1,661**	2,454

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, decreased to 57.5 per cent at 30 June 2019, from 84.9 per cent at 31 December 2018. In May 2019, the Group launched a tender offer to repurchase its US$ denominated senior notes and a total of US$76.7 million senior notes was repurchased and was settled using the proceeds received from the realisation of the Group's property inventories as well as the progressive settlement of the consideration for the disposal of the Group's interest in Dalian Tiandi.

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 Mainland China 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 Mainland China is denominated in Renminbi and property assets in Mainland China 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. Since the expiry of the currency hedging contracts took out in early 2017, no further currency hedging contract has been arranged. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Employees

At 30 June 2019, the number of employees in the Group was approximately 1,490 (31 December 2018: 1,060) in Hong Kong and Macau, and 450 (31 December 2018: 480) in subsidiaries and joint ventures in Mainland China. 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 Mainland China, 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 22 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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

30 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June **2019** **HK$ million** **(unaudited)**	 2018 HK$ million (unaudited)
Turnover			
The Company and its subsidiaries		**2,625**	3,496
Share of joint ventures		**13**	17
		2,638	3,513
Group turnover	3	**2,625**	3,496
Other income, other gains and losses		**32**	17
Cost of properties sold		**(542)**	(594)
Raw materials and consumables used		**(127)**	(204)
Staff costs		**(317)**	(346)
Depreciation		**(14)**	(6)
Subcontracting, external labour costs and other expenses		**(1,496)**	(2,258)
Fair value changes on investment properties		**31**	23
Gain on transfer of property inventories to investment properties		**–**	29
Gain on disposal of partial interest in a joint venture		**61**	–
Dividend income from equity investments		**3**	2
Finance costs	4	**(122)**	(117)
Share of profit of joint ventures		**3**	1
Profit before taxation		**137**	43
Taxation	5	**(101)**	(90)
Profit (loss) for the period	6	**36**	(47)
Attributable to:			
Owners of the Company		**11**	(79)
Non-controlling interests		**25**	32
		36	(47)
Earnings (loss) per share	8		
Basic		**HK$0.03**	HK$(0.16)
Diluted		**HK$0.03**	HK$(0.16)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
	(unaudited)	(unaudited)
Profit (loss) for the period	**36**	(47)
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	**(17)**	(35)
Reclassification adjustments for exchange differences transferred to profit or loss:		
– upon disposal of partial interest in a joint venture	**6**	–
Item that will not be reclassified to profit or loss:		
Fair value changes of equity investments at fair value through other comprehensive income	**2**	(5)
Other comprehensive expense for the period	**(9)**	(40)
Total comprehensive income (expense) for the period	**27**	(87)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**2**	(119)
Non-controlling interests	**25**	32
	27	(87)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2019 HK$ million (unaudited)	31 December 2018 HK$ million (audited)
Non-current Assets			
Investment properties		**4,651**	5,069
Goodwill		**15**	–
Right-of-use assets		**17**	–
Property, plant and equipment		**33**	36
Interests in joint ventures		**108**	98
Financial assets at fair value through other comprehensive income		**54**	52
Club memberships		**1**	1
Restricted bank deposits		**–**	139
		4,879	5,395
Current Assets			
Properties held for sale		**578**	450
Properties under development for sale		**563**	1,066
Debtors, deposits and prepayments	9	**1,307**	1,582
Contract assets		**636**	650
Amounts due from joint ventures		**77**	176
Amounts due from related companies		**32**	5
Restricted bank deposits		**182**	41
Bank balances, deposits and cash		**1,408**	1,237
		4,783	5,207
Assets classified as held for sale	10	**438**	–
		5,221	5,207
Current Liabilities			
Creditors and accrued charges	11	**2,429**	2,615
Contract liabilities		**237**	413
Lease liabilities		**13**	–
Amounts due to joint ventures		**119**	117
Amounts due to related companies		**60**	46
Amounts due to non-controlling shareholders of subsidiaries		**4**	4
Taxation payable		**119**	91
Bank borrowings due within one year	12	**997**	978
Senior notes	13	**1,407**	–
		5,385	4,264
Liabilities directly associated with assets classified as held for sale	10	**119**	–
		5,504	4,264
Net Current (Liabilities) Assets		**(283)**	943

	Notes	30 June 2019 HK$ million (unaudited)	31 December 2018 HK$ million (audited)
Total Assets Less Current Liabilities		**4,596**	6,338
Capital and Reserves			
Share capital	14	**384**	384
Reserves		**2,506**	2,505
Equity attributable to owners of the Company		**2,890**	2,889
Non-controlling interests		**139**	127
		3,029	3,016
Non-current Liabilities			
Loan from a related company	19	**300**	–
Bank borrowings	12	**847**	870
Senior notes	13	**–**	2,023
Lease liabilities		**4**	–
Other financial liabilities		**27**	28
Defined benefit liabilities		**66**	66
Deferred tax liabilities		**323**	335
		1,567	3,322
		4,596	6,338

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 2019	384	2,995	185	197	(3)	(1,129)	5	(31)	2	284	2,889	127	3,016
Fair value changes of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	2	-	2	-	2
Exchange differences arising on translation of financial statements of foreign operations	-	-	(17)	-	-	-	-	-	-	-	(17)	-	(17)
Disposal of partial interest in a joint venture	-	-	6	-	-	-	-	-	-	-	6	-	6
Profit for the period	-	-	-	-	-	11	-	-	-	-	11	25	36
Total comprehensive (expense) income for the period	-	-	(11)	-	-	11	-	-	2	-	2	25	27
Repurchase of shares (note 14)	-	(1)	-	-	-	-	-	-	-	-	(1)	-	(1)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(13)	(13)
At 30 June 2019 (unaudited)	**384**	**2,994**	**174**	**197**	**(3)**	**(1,118)**	**5**	**(31)**	**4**	**284**	**2,890**	**139**	**3,029**

	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) profit 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 (unaudited)	484	3,172	348	197	(3)	(1,064)	5	11	10	287	3,447	168	3,615

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 (2018: HK$231 million) recognised in prior years, which arose when the Group entered into agreements with Shui On Company Limited ("SOCL"), the Company's ultimate holding company, to co-invest in Shui On Land Limited during the year ended 31 March 2005; (ii) an amount of HK$16 million (2018: 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 (2018: 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	
	2019	2018
	HK$ million	HK$ million
	(unaudited)	(unaudited)
Net cash from (used in) operating activities		
Operating cash flows before movements in working capital	**144**	138
Decrease in properties held for sale	**533**	557
Increase in properties under development for sale	**(159)**	(176)
Decrease in contract liabilities	**(173)**	(284)
Settlement of derivative financial instruments	**–**	(159)
Decrease in creditors and accrued charges	**(190)**	(86)
Movements in other working capital	**98**	37
Tax paid	**(85)**	(56)
	168	(29)
Net cash from (used in) investing activities		
Repayment from joint ventures	**23**	–
Net proceeds from disposal of partial interest in a joint venture	**124**	–
Net proceeds from disposal of interest in an associate in previous years	**204**	59
Acquisition of subsidiaries	**(26)**	–
Restricted bank deposits refunded	**3**	–
Restricted bank deposits placed	**(3)**	(275)
Other investing cash flows	**22**	6
	347	(210)
Net cash used in financing activities		
New bank borrowings raised	**313**	485
Repayment of bank borrowings	**(198)**	(459)
Loan from a related company	**300**	–
Payment for buy-back of senior notes	**(619)**	–
Repurchase of shares	**(1)**	–
Interest paid	**(112)**	(101)
Other financing cash flows	**(24)**	(5)
	(341)	(80)
Net increase (decrease) in cash and cash equivalents	**174**	(319)
Cash and cash equivalents at the beginning of the period	**1,237**	1,486
Effect of foreign exchange rate changes	**(2)**	(3)
Cash and cash equivalents at the end of the period	**1,409**	1,164
Analysis of the balances of cash and cash equivalents		
Bank balances, deposits and cash	**1,408**	1,164
Bank balances, deposits and cash included in assets classified as held for sale (note 10)	**1**	–
	1,409	1,164

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2019 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").

At 30 June 2019, the Group reported net current liabilities of HK$283 million, which included HK$570 million revolving bank loans with no fixed term of repayment. The Directors of the Company consider that such revolving bank loans will not be withdrawn unexpectedly on the Group's improved financial results and position. In addition, taking into account the Group's operating cash flows, the available credit facilities, the expectation of obtaining new credit facilities and proceeds from the budgeted realisation of certain property assets, the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared on a going concern basis.

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 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, 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 2019.

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 16 "Leases" using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated losses at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated. The nature and effect of the changes are disclosed below.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under HKIFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight line basis over the lease term. The Group also elected to account for operating leases with a remaining lease term of less than 12 months on transition as short-term lease.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. However, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKFRS 16 Leases (continued)

Right-of-use assets

The Group recognises a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Lease liabilities

The Group recognises a lease liability at the lease commencement date at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The lease payments include fixed payments and variable lease payments (depend on an index or a rate).

For the classification of cash flows, the Group previously presented upfront prepaid lease payments as investing cash flows in relation to leasehold lands classified as investment properties while other operating lease payments were presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability are allocated into a principal and an interest portion which is presented as financing cash flows of the Group.

The Group elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, the impact on which is summarised below:

	1 January 2019 HK$ million
Non-current assets	
Right-of-use assets	21
Current liabilities	
Lease liabilities	(15)
Non-current liabilities	
Lease liabilities	(6)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKFRS 16 Leases (continued)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the relevant entities' incremental borrowing rate at 1 January 2019. The weighted average rate applied is 5%.

	1 January 2019 HK$ million
Operating lease commitments at 31 December 2018	25
Discounted using the incremental borrowing rate at 1 January 2019	24
Less: Short-term leases recognition exemption	(3)
Lease liabilities recognised at 1 January 2019	21

Except as described above, the application of other amendments to HKFRSs and an 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 other new and amendments to HKFRSs that have been issued but are not yet effective.

3. SEGMENT INFORMATION

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

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

1. Property – property development for sale in the People's Republic of China ("PRC") and property investment and provision of property management services in Hong Kong and the 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 2019

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Revenue from property sales	673	–	–	673
Construction contract revenue	–	1,879	–	1,879
Revenue from rendering of services in Hong Kong	17	–	–	17
Revenue from rendering of services in the PRC	13	–	–	13
Revenue from contracts with customers	703	1,879	–	2,582
Revenue from property leasing	43	–	–	43
Group's revenue from external customers	746	1,879	–	2,625
Share of joint ventures' revenue	–	1	12	13
Total segment revenue	746	1,880	12	2,638
Timing of revenue recognition				
At a point of time	673	–	–	673
Over time	30	1,879	–	1,909
Revenue from contracts with customers	703	1,879	–	2,582
Reportable segment results	159	108	3	270
Segment results have been arrived at after crediting (charging):				
Depreciation	(4)	(5)	–	(9)
Interest income	23	5	4	32
Fair value changes on investment properties (note)	31	–	–	31
Gain on disposal of partial interest in a joint venture	61	–	–	61
Dividend income from equity investments	–	–	3	3
Finance costs	(10)	–	–	(10)
Share of (loss) profit of joint ventures				
Property development	(1)	–	–	(1)
Other operations in Guizhou	–	–	4	4
				3

3. SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2018

	Property	Construction and building maintenance	Other businesses	Total
	HK$ million	HK$ million	HK$ million	HK$ million
REVENUE				
Revenue from property sales	784	–	–	784
Construction contract revenue	–	2,674	–	2,674
Revenue from contracts with customers	784	2,674	–	3,458
Revenue from property leasing	38	–	–	38
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
Revenue from contracts with customers	784	2,674	–	3,458
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 (loss) profit of joint ventures				
Property development	(1)	–	–	(1)
Other operations in Guizhou	–	–	3	3
Venture capital investments	–	–	(1)	(1)
				1

Note:

The fair value of the Group’s investment properties has been arrived at on the basis of valuations carried out by independent qualified professional valuers, or relevant sales contracts.

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 2019

	Property	**Construction and building maintenance**	**Other businesses**	**Total**
	HK$ million	**HK$ million**	**HK$ million**	**HK$ million**
Reportable segment assets	**7,830**	**1,825**	**1,034**	**10,689**
Reportable segment liabilities	**1,462**	**2,020**	**874**	**4,356**

At 31 December 2018

	Property	Construction and building maintenance	Other businesses	Total
	HK$ million	HK$ million	HK$ million	HK$ million
Reportable segment assets	8,062	2,053	1,109	11,224
Reportable segment liabilities	1,610	2,230	376	4,216

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

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Revenue		
Reportable segment revenue	**2,638**	3,513
Elimination of share of revenue of joint ventures	**(13)**	(17)
Consolidated turnover	**2,625**	3,496

3. SEGMENT INFORMATION (continued)

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

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Profit before taxation		
Reportable segment profit before taxation	**270**	241
Unallocated other income	**2**	2
Unallocated finance costs	**(112)**	(110)
Fair value loss on derivative financial instruments	**–**	(57)
Other unallocated corporate expenses	**(23)**	(33)
Consolidated profit before taxation	**137**	43

	30 June 2019	31 December 2018
	HK$ million	HK$ million
Assets		
Reportable segment assets	**10,689**	11,224
Elimination of inter-segment receivables	**(589)**	(622)
Consolidated total assets	**10,100**	10,602

	30 June 2019	31 December 2018
	HK$ million	HK$ million
Liabilities		
Reportable segment liabilities	**4,356**	4,216
Elimination of inter-segment payables	**(589)**	(622)
Unallocated liabilities		
– Bank borrowings	**1,389**	1,477
– Senior notes	**1,407**	2,023
– Taxation and others	**508**	492
Consolidated total liabilities	**7,071**	7,586

4. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Interest on bank and other loans	**51**	37
Interest on senior notes	**68**	76
Other borrowing costs	**3**	4
	122	117

5. TAXATION

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	**21**	15
PRC Enterprise Income Tax	**48**	14
PRC Land Appreciation Tax	**45**	56
	114	85
Deferred taxation	**(13)**	5
	101	90

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax is calculated at 25% (2018: 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 and all property development expenditure.

6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**6**	6
Depreciation of right-of-use assets	**8**	–
Cost of properties sold	**542**	594
Fair value loss on derivative financial instruments	**–**	57
Waiver of the fees payable to a related company	**–**	(32)

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend (2018: Nil) for the six months ended 30 June 2019.

8. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Profit (loss) for the period attributable to owners of the Company:		
Profit (loss) for the purpose of basic and diluted earnings (loss) per share	**11**	(79)
	Million	Million
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**384**	484
Effect of dilutive potential ordinary shares:		
Share options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**384**	484

The computation of the diluted earnings per share for the six months ended 30 June 2019 does not assume the exercise of the Company's share options, of which the relevant exercise price was higher than the average market price of shares of the Company for the period when those options were outstanding.

The computation of the diluted loss per share for the six months ended 30 June 2018 did not assume the exercise of the Company's share options, because this would result in a decrease in loss per share.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

	30 June 2019 HK$ million	31 December 2018 HK$ million
Trade debtors aged analysis (note a):		
Not yet due or within 90 days	**317**	388
91 days to 180 days	**1**	17
181 days to 360 days	**1**	–
Over 360 days	**–**	2
	319	407
Consideration receivable in respect of disposal of an associate (note b)	**185**	391
Prepayments, deposits and other receivables (note c)	**803**	784
	1,307	1,582

Notes:

(a) Included in the trade debtors are receivables of HK$1 million (31 December 2018: HK$2 million), which are aged over 180 days, based on the date on which revenue was recognised.

(b) The balances carry interest at 15% per annum.

(c) Included in prepayments, deposits and other receivables at 30 June 2019 are receivables of HK$477 million (31 December 2018: HK$469 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$136 million (31 December 2018: HK$137 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 approximately RMB276 million (approximately HK$314 million) (31 December 2018: RMB140 million (approximately HK$160 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 18). Given that there have been continued positive outcomes in the legal disputes in relation to the property interest and recovery of the outstanding receivables, including the successful registration of title deed of the property under the name of the Debtor in May 2015, the Directors of the Company believe that these receivables will be fully settled and the guarantee provided by the Company will be 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. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

	30 June 2019 HK$ million	31 December 2018 HK$ million
Disposal of a subsidiary (note a)		
Investment properties	**385**	–
Debtors, deposits & prepayments	**1**	–
Deferred tax assets	**2**	–
Bank balances, deposits and cash	**1**	–
	389	–
Disposal of other assets (note b)		
Investment properties	**49**	–
Total assets classified as held for sale	**438**	–
Disposal of a subsidiary (note a)		
Creditors and accrued charges	**1**	–
Bank borrowings	**118**	–
Total liabilities directly associated with assets classified as held for sale	**119**	–

Notes:

(a) In May 2019, the Group received a non-legal binding letter of intent from an independent third party to acquire the entire issued share capital of a subsidiary of the Company, which directly owns a commercial building in Hong Kong. Subsequently, the Group entered into a sale and purchase agreement with that party in July 2019 (see note 21(b) for details). The transaction is expected to be completed within one year from the end of the reporting period and accordingly, the assets and liabilities attributable to this subsidiary have been respectively reclassified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale in the Group's condensed consolidated financial position at 30 June 2019.

(b) In 2019, the Group initiated a sale plan to dispose of an investment property in Chengdu, which was held under operating lease to earn rental or for capital appreciation purposes previously. In July 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose of the investment property in Chengdu (see note 21(a) for details). The disposal of this property is expected to be completed within one year from the end of the reporting period and accordingly, the property has been reclassified as assets classified as held for sale in the Group's condensed consolidated financial position at 30 June 2019.

11. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors (based on invoice date) of HK$172 million (31 December 2018: HK$435 million), which are included in the Group's creditors and accrued charges, is as follows:

	30 June 2019 **HK$ million**	31 December 2018 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**149**	386
31 days to 90 days	**12**	23
91 days to 180 days	**1**	8
Over 180 days	**10**	18
	172	435
Retention payable	**425**	453
Provision for contract work/construction cost	**1,577**	1,493
Other accruals and payables	**255**	234
	2,429	2,615

12. BANK BORROWINGS

During the period, the Group raised new bank borrowings totalling HK$313 million (2018: HK$485 million), repaid bank borrowings totalling HK$198 million (2018: HK$459 million), and obtained new and renewed existing credit facilities totalling HK$450 million (2018: HK$500 million). New and renewed bank loan facilities of the Group carry interest at variable rates of approximately 5.28% to 5.78% (2018: 4.76% to 5.26%) per annum.

13. SENIOR NOTES

	30 June 2019 **HK$ million**	31 December 2018 HK$ million
At the beginning of the period/year	**2,023**	2,157
Interest charged during the period/year	**68**	148
Less: Discount on buy-back of senior notes	**–**	(4)
Less: Interest payable reclassified under other payables	**(61)**	(134)
Less: Buy-back of senior notes	**(619)**	(149)
Exchange adjustments	**(4)**	5
At the end of the period/year	**1,407**	2,023

On 17 May 2019, the Group launched a tender offer to purchase for cash the senior notes up to the maximum aggregate principal amount of US$80 million at an offer price of US$1,000 per each US$1,000 in principal amount of the senior notes. On 10 June 2019, the Group completed the purchase of the senior notes in an aggregate principal amount of approximately US$76.7 million (HK$602 million). In addition, the Group bought-back US$2.2 million (HK$17 million) senior notes from open market at a price ranged from 98.3% to 98.8% to its face value during the period.

14. SHARE CAPITAL

	30 June 2019 Number of shares	31 December 2018 Number of shares	**30 June 2019 HK$ million**	31 December 2018 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 of the period/year	**384,410,164**	484,410,164	**384**	484
Repurchase of shares	**(584,000)**	(100,000,000)	**–**	(100)
At the end of the period/year	**383,826,164**	384,410,164	**384**	384

During the period, the Company repurchased a total of 584,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$1.95 to HK$2.09 per share, for a total consideration of approximately HK$1.3 million. The issued share capital of the Company was reduced by the nominal value of the repurchased shares. The premium of approximately HK$0.7 million paid on the repurchased shares was debited to the share premium account.

15. CAPITAL COMMITMENTS

At 30 June 2019, the Group had no significant capital commitments (31 December 2018: 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 2019	**1,442,000**
Exercised during the period	**–**
Lapsed during the period	**–**
Outstanding at 30 June 2019	**1,442,000**

17. BUSINESS COMBINATION

On 18 April 2019, the Group entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of SOCL to acquire the entire issued share capital of Shui On Properties Management Services Limited ("SOPMSL") for a consideration of HK$35 million. SOPMSL and its wholly-owned subsidiary, Shui On Properties Management Limited ("SOPML")(collectively the "SOPMSL Group"), principally engage in the provision of property management services in Hong Kong. The transaction was completed on 30 April 2019 and SOPMSL and SOPML became the indirect wholly-owned subsidiaries of the Company. The Group selects the acquisition method to account for the business combination involving a business under common control. Details of the transaction are set out in an announcement of the Company dated 18 April 2019. The net cash outflow arising on the acquisition during the period ended 30 June 2019 was approximately HK$26 million.

The fair value of the identifiable assets acquired and liabilities assumed are determined at the date of acquisition on a provisional basis as the fair value had not been finalised.

Turnover of HK$17 million included in the condensed consolidated statement of profit or loss since the date of acquisition to 30 June 2019 was contributed by SOPMSL Group. The profit contributed by SOPMSL Group over the same period was insignificant to the Group.

Had the acquisition been completed on 1 January 2019, total group turnover and profit attributable to owners of the Company for the period would have been HK$2,658 million and HK$11 million respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

18. CONTINGENT LIABILITIES

At 30 June 2019, 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(c) for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee to October 2019, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$616 million) at 30 June 2019 (31 December 2018: RMB542 million (HK$619 million)) and the related interest amounting to RMB514 million (HK$584 million) (31 December 2018: RMB481 million (HK$549 million)) are secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

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

19. 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	
	2019	2018
Nature of transactions	**HK$ million**	HK$ million
SOCL and its subsidiaries		
Dividend income	**3**	2
Waiver of the fee payments by the Group	**–**	32
Property management services income	**1**	–
Interest expenses	**1**	–
Rental expenses	**1**	–

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

	Six months ended 30 June	
	2019	2018
Nature of transactions	**HK$ million**	HK$ million
Interest expenses	**5**	6
Subcontracting work expenses	**2**	5

(c) 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.

(d) During the period, the Group acquired the entire issued share capital of Shui On Properties Management Services Limited (which is an indirect wholly-owned subsidiary of SOCL and holds the entire issued share capital of Shui On Properties Management Limited) from a wholly-owned subsidiary of SOCL for a consideration of HK$35 million.

(e) During the period, the Group disposed of 34.8% effective interest in a joint venture through disposal of 58% of the issued ordinary shares of Great Market Limited (which is an indirect wholly-owned subsidiary of the Company and holds 60% interest in this joint venture) to an indirect wholly-owned subsidiary of Shui On Land Limited for the total transaction amount of RMB148 million (HK$168 million). A gain on disposal of partial interest in this joint venture of HK$61 million was recognised in the condensed consolidated statement of profit or loss for the current period.

(f) During the period, the Group obtained unsecured loan of HK$300 million, with a maturity of two years, carrying interest at 3.5% over applicable Hong Kong Interbank Offered Rate per annum from a wholly-owned subsidiary of SOCL.

19. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(g) 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	
	2019	2018
	HK$ million	HK$ million
Fees	**1**	1
Salaries and other benefits	**12**	12
Bonuses	**9**	3
Retirement benefit scheme contributions	**–**	–
	22	16

Notes:

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.

(h) The emoluments paid or payable to each of the six (2018: five) Directors which were included in note (g) above are set out as follows:

For the six months ended 30 June 2019

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	3,626	–	–	3,631
Ms. Lo Bo Yue, Stephanie	(i) & (iii)	141	–	–	–	141
Ms. Li Hoi Lun, Helen	(ii)	275	–	–	–	275
Mr. Chan Kay Cheung	(ii)	298	–	–	–	298
Mr. William Timothy Addison	(ii)	244	–	–	–	244
		968	3,626	–	–	4,594

19. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(h) The emoluments paid or payable to each of the six (2018: five) Directors which were included in note (g) above are set out as follows: (continued)

For the six months ended 30 June 2018

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

Notes:

(i) Non-executive Director

(ii) Independent Non-executive Directors

(iii) Ms. Lo Bo Yue, Stephanie was appointed as a Non-executive Director on 1 January 2019

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

At 30 June 2019, 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.

21. EVENTS AFTER THE REPORTING PERIOD

(a) On 12 July 2019, the Group entered into an agreement with an independent third party for the disposal of an investment property in Chengdu for a consideration of approximately RMB46 million (HK$52 million). The transaction has not yet been completed up to the date of this report. Details of the transaction are set out in an announcement of the Company dated 12 July 2019.

(b) On 19 July 2019, the Group entered into an agreement with an independent third party for the disposal of the entire issued share capital of Profit Point Development Limited (an indirect wholly-owned subsidiary of the Company), which directly owns a commercial building in Hong Kong, for an aggregate consideration of approximately HK$387 million. The transaction has not yet been completed up to the date of this report. Details of the transaction are set out in an announcement and a circular of the Company dated 19 July 2019 and 15 August 2019 respectively.

(c) On 23 July 2019, the Group entered into a resumption compensation agreement with the Kaili Municipal People's Government of Guizhou Province of the PRC for resuming the cement plant owned by Kaili Shui On Cement Co. Ltd. ("Kaili Shui On Cement", an indirect wholly-owned subsidiary of the Company) and reimbursing the costs and expenses incurred by Kaili Shui On Cement for closing its operation for an amount of approximately RMB171 million (HK$194 million), in aggregate. The transaction has not yet been completed up to the date of this report. Details of the transaction are set out in an announcement of the Company dated 23 July 2019.

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 in favour of New Pi (Hong Kong) Investment Co., Ltd. ("New Pi") and certain of its subsidiaries were HK$1,677 million at 30 June 2019, which comprises:

	HK$ million
Receivables	477
Guarantees	1,200
	1,677

The receivables are unsecured, repayable on demand and out of the total outstanding balance, an amount of HK$136 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(c) and 18 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, 28 May 2018, 17 May 2019 and 3 June 2019 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$2,763 million at 30 June 2019.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At 30 June 2019, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (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:

(a) Long positions in the shares of the Company

	Number of shares				Approximate percentage of issued shares
Name of Director	**Personal interests**	**Family interests**	**Other interests**	**Total**	(Note 1)
Mr. Lo Hong Sui, Vincent ("Mr. Lo")	–	312,000 (Note 2)	234,381,000 (Note 3)	234,693,000	61.05 (Note 4)
Ms. Lo Bo Yue, Stephanie ("Ms. Lo")	–	–	234,381,000 (Note 3)	234,381,000	60.97 (Note 5)
Mr. Wong Yuet Leung, Frankie	3,928,000	–	–	3,928,000	1.02

Notes:

1. Based on 384,410,164 shares of the Company in issue at 30 June 2019.
2. These shares were beneficially owned by Ms. Loletta Chu ("Mrs. Lo"), the spouse of 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 held under 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 both Mr. Lo and Ms. Lo were discretionary beneficiaries and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.
4. Increased to approximately 61.14 per cent based on 383,826,164 shares of the Company currently in issue following cancellation of the shares bought back by the Company as referred to in the section headed "Purchase, Sale or Redemption of Listed Securities" below.
5. Increased to approximately 61.06 per cent based on 383,826,164 shares of the Company currently in issue following cancellation of the shares bought back by the Company as referred to in the section headed "Purchase, Sale or Redemption of Listed Securities" below.

(b) Long positions in the shares and underlying shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Number of shares/underlying shares: Personal interests	Family interests	Other interests	Total	Approximate percentage of issued shares (Note 1)
Mr. Lo	Shui On Land Limited ("SOL")	–	1,849,521 (Note 2)	4,611,835,751 (Note 3)	4,613,685,272	57.22
Ms. Lo	SOL	437,000 (Note 4)	–	4,611,835,751 (Note 3)	4,612,272,751	57.20

Notes:

1. Based on 8,062,216,324 shares of SOL in issue at 30 June 2019.
2. These shares were beneficially owned by Mrs. Lo, the spouse of 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 4,611,835,751 shares mentioned in Note 3 below.
3. These shares were held by SOCL through its controlled corporations, comprising 2,672,990,325 shares, 1,348,827,330 shares, 183,503,493 shares, 346,666,666 shares, 30,000,000 shares and 29,847,937 shares held by Shui On Investment Company Limited ("SOI"), Shui On Properties Limited ("SOP"), Chester International Cayman Limited ("Chester International"), Boswell Limited ("Boswell"), Doreturn Limited ("Doreturn") and New Rainbow Investments Limited ("NRI") respectively whereas SOI, SOP, Chester International, Boswell and Doreturn were all wholly-owned subsidiaries of SOCL. NRI was a wholly-owned subsidiary of the Company which in turn was held by SOCL and its wholly-owned subsidiary, SOFCL, as to 60.97 per cent. SOCL was held under 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 both Mr. Lo and Ms. Lo were discretionary beneficiaries and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.
4. These represent the interests in the underlying shares of SOL under the outstanding share options granted by SOL.

(c) Interests in the debentures of the associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interests	Amount of debentures
Mr. Lo	Shui On Development (Holding) Limited ("SODHL")	Trust interests (Note 1)	RMB50,000,000
		Trust interests (Note 1)	US$6,000,000
		Trust interests (Note 1)	US$4,000,000
		Family interests (Note 2)	RMB35,500,000
		Family interests (Note 2)	US$2,000,000
Ms. Lo	SODHL	Trust interests (Note 1)	RMB50,000,000
		Trust interests (Note 1)	US$6,000,000
		Trust interests (Note 1)	US$4,000,000

Notes:

1. These represent the interests in the debentures held by SOI and/or Boswell. Both SOI and Boswell were wholly-owned subsidiaries of SOCL, which was held under the Bosrich Unit Trust. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and both Mr. Lo and Ms. Lo were discretionary beneficiaries.
2. These represent the interests in the debentures held by Mrs. Lo, the spouse of Mr. Lo.

Save as disclosed above, at 30 June 2019, 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 2019, the interests of substantial shareholders (not being a Director or chief executive of the Company) in the shares of the Company 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)	61.05 (Note 5)
SOCL	Beneficial owner and interest of controlled corporation	234,381,000 (Notes 3 & 4)	60.97 (Note 6)
HSBC Trustee	Trustee	234,381,000 (Notes 3 & 4)	60.97 (Note 6)
Bosrich	Trustee	234,381,000 (Notes 3 & 4)	60.97 (Note 6)

Notes:

1. Based on 384,410,164 shares of the Company in issue at 30 June 2019.
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 held under 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 both Mr. Lo and Ms. Lo were discretionary beneficiaries and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. 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 approximately 61.14 per cent based on 383,826,164 shares of the Company currently in issue following cancellation of the shares bought back by the Company as referred to in the section headed "Purchase, Sale or Redemption of Listed Securities" below.
6. Increased to approximately 61.06 per cent based on 383,826,164 shares of the Company currently in issue following cancellation of the shares bought back by the Company as referred to in the section headed "Purchase, Sale or Redemption of Listed Securities" below.

Save as disclosed above, at 30 June 2019, 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 (the "Existing Scheme"), which has a life of 10 years until 21 August 2022, to replace the share option scheme adopted on 27 August 2002 (the "Old Scheme") that had expired on 30 August 2012. Since then, no further share 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.

Details of the outstanding share options granted under the Old Scheme are set out as follows:

Category of eligible participants	Date of grant	Subscription price per share HK$	Number of shares subject to options At 1.1.2019	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	At 30.6.2019	Period during which the options are exercisable (Note)
Employees (in aggregate)	28.7.2011	10.00	1,442,000	–	–	–	–	1,442,000	1.5.2015 to 27.7.2021

Note:
The share options are exercisable by the eligible participants during the exercise period in accordance with the schedules as set out in the offer letters.

All the outstanding share options granted under the Existing Scheme had lapsed in 2018, and no further share option was granted during the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

With respect to the US$280 million 6.25 per cent senior notes due 2020 issued by the Company (the "Notes"), the Company repurchased on the Stock Exchange in January 2019 a total of further US$2.2 million principal amount of the Notes for an aggregate consideration of US$2.2 million. In addition, pursuant to a tender offer launched by the Company in May 2019, the Company repurchased a total of US$76.715 million principal amount of the Notes for an aggregate consideration of US$76.715 million. Please refer to the announcements dated 17 May 2019 and 3 June 2019 issued by the Company for further details about the tender offer. In 2018, a total of US$19.5 million principal amount of the Notes had been repurchased on the Stock Exchange for an aggregate consideration of US$19.1 million. All the repurchased Notes, in an aggregate principal amount of US$98.415 million, were subsequently cancelled by the Company in July 2019, and a total of US$181.585 million principal amount of the Notes now remains outstanding.

In June 2019, the Company bought back a total of 584,000 shares on the Stock Exchange for an aggregate consideration of approximately HK$1.19 million. The highest and lowest prices paid for buying back the shares were HK$2.09 per share and HK$1.95 per share respectively. All the shares bought back by the Company were cancelled in August 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

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 report, the Board comprises six members, including two Executive Directors, one Non-executive Director 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 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 2019, 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 commitment 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 2019, 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 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 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 other business commitments, the Chairman of the Board did not attend the annual general meeting of the Company held on 30 May 2019. 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 2019.

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 2018 Annual Report are set out as follows:

Name of Director	Details of changes
Mr. Lo Hong Sui, Vincent	• Stepped down as the Chairman of the Hong Kong Trade Development Council with effect from 1 June 2019
Ms. Li Hoi Lun, Helen	• Service contract for serving as an Independent Non-executive Director of the Company renewed for a term of two years commencing from 28 August 2019

Details about the emoluments of the Directors of the Company for the six months ended 30 June 2019 are set out in note 19 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)

Non-executive Director

Ms. Lo Bo Yue, Stephanie

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
Ms. Lo Bo Yue, Stephanie
Mr. Chan Kay Cheung
Mr. William Timothy Addison

NOMINATION COMMITTEE

Mr. Lo Hong Sui, Vincent (Chairman)
Ms. Lo Bo Yue, Stephanie
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. William Timothy Addison

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 54, 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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