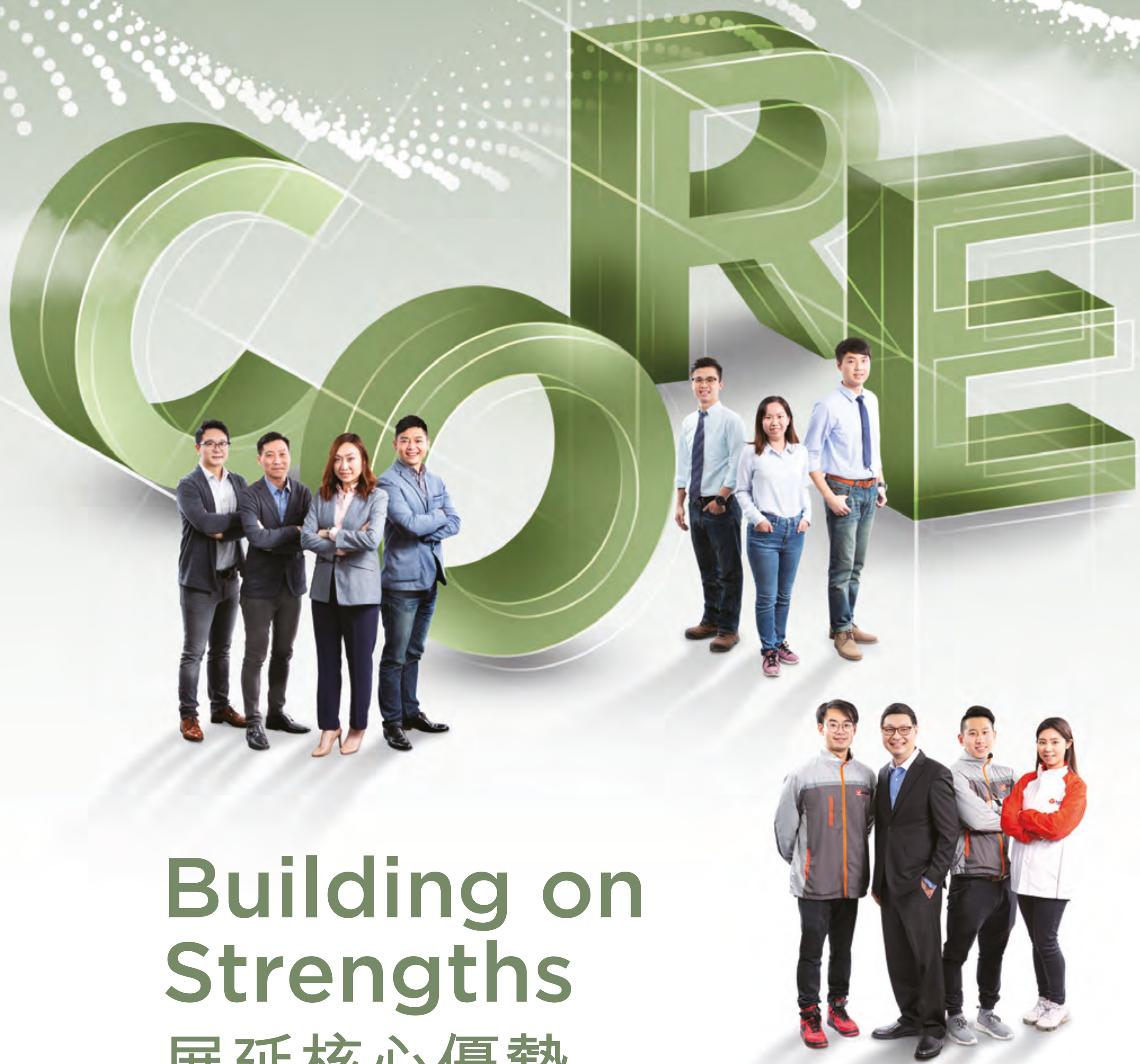
瑞安建業
SOCAM DEVELOPMENT

Stock Code 股份代號：983



Building on Strengths
展延核心優勢

Interim Report 中期報告 2020

ABOUT SOCAM

Listed on the Hong Kong Stock Exchange in 1997, SOCAM Development Limited is principally engaged in construction and property 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.

SHUI ON – WE CARE

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

A member of the Shui On Group

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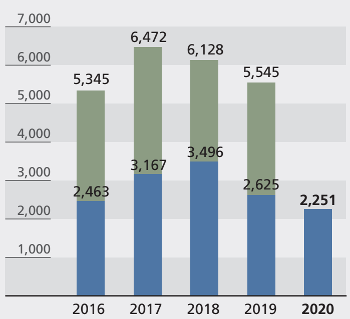
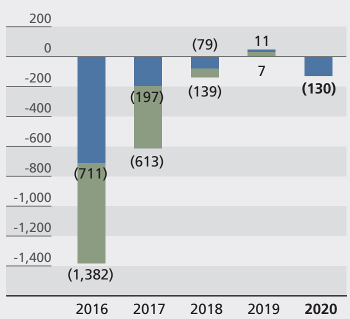
FINANCIAL HIGHLIGHTS

HK$ million	Six months ended 30 June				
	2020	2019	2018	2017	2016
Turnover					
SOCAM and subsidiaries	**2,251**	2,625	3,496	3,167	2,463
Share of joint ventures and associates	**4**	13	17	421	894
Total	**2,255**	2,638	3,513	3,588	3,357
(Loss) profit attributable to shareholders	**(130)**	11	(79)	(197)	(711)
Basic (loss) earnings per share	**(HK$0.35)**	HK$0.03	(HK$0.16)	(HK$0.41)	(HK$1.47)
	At 30 June	At 31 December			
Total assets (HK$ billion)	**9.0**	9.4	10.6	12.0	9.2
Net assets (HK$ billion)	**2.6**	2.8	2.9	3.6	3.8
Net asset value per share (HK$)	**6.92**	7.49	7.52	7.36	7.92
Net gearing	**62.2%**	54.2%	84.9%	53.6%	33.5%

Turnover

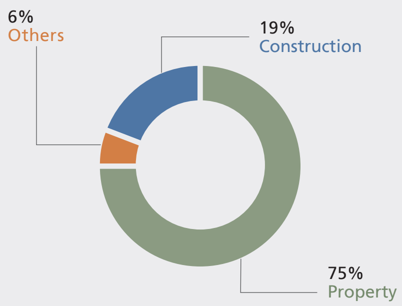


Profit (loss) Attributable to Shareholders of the Company

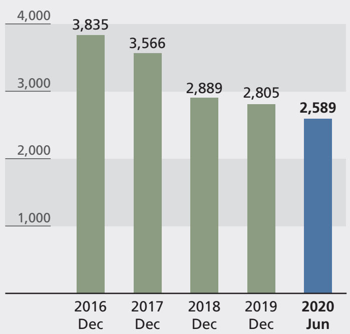


Assets Employed

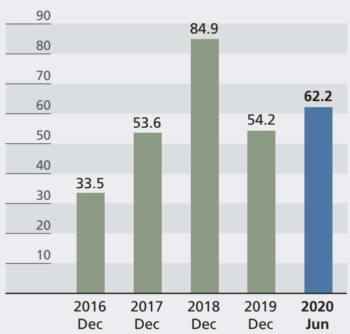
At 30 June 2020



Equity Attributable to Shareholders of the Company

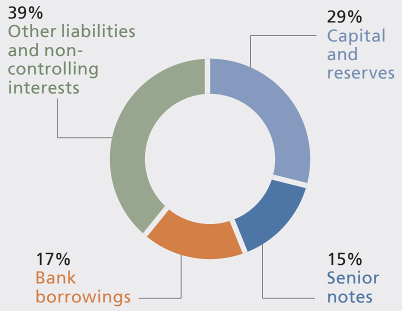


Net Gearing



Capital and Liabilities

At 30 June 2020



MANAGEMENT DISCUSSION AND ANALYSIS

In the current difficult times, SOCAM continues to build on our core competencies and strengthen the organisation as we prioritise our strategies with greater resilience.

Business Review

The sudden outbreak of COVID-19 has affected businesses and individuals around the world dramatically, and posed severe challenges to the global economy in varying degrees. During the first half of the year, SOCAM proceeded diligently with its turnaround strategy to restore shareholder value, improve cash flow and revitalise its businesses. The progress was nevertheless disrupted by the epidemic.

Our construction business in Hong Kong achieved a significant profit, supported by a strong order book, and projects on hand progressed largely on track. However, the sales and leasing performance of our property business saw an obvious setback, as the pandemic has triggered far-reaching shifts in consumer behaviour and changes to the business landscape of mall operations in the Mainland. The new issuance of senior notes to refinance the Group's indebtedness with near-term maturities has strengthened the balance sheet and improved the cash position. Amidst this uncertain time, SOCAM has been accelerating efforts to enhance our organisation and business sustainability.

Market Environment

The Group's principal markets saw their economies hard hit in the first half of the year. In the Mainland, GDP declined by 6.8% year-on-year (YoY) in the first quarter, the first contraction on record, but returned to modest growth of 3.2% YoY in the second quarter, thanks to the swift epidemic control, orderly resumption of work and production and stimulus measures of government authorities. Overall, China's economy contracted by 1.6% YoY in the first half.

Hong Kong has plunged into deep recession, as evidenced by four consecutive quarters of economic contraction up to June 2020, with GDP shrinking by 9% YoY in the second quarter. Exports of goods and services plummeted, and domestic demand weakened markedly. The austere labour market conditions with unemployment rate hit a 15-year high dealt a further blow to consumption. Overall investment spending continued to decrease amid subdued business sentiment.

Financial Results

For the first six months of 2020, the Group recorded a net loss attributable to shareholders of HK$130 million, as compared with the net profit attributable to shareholders of HK$11 million for the corresponding period in 2019, while the Group's turnover in the first half of 2020 decreased by 14%, against the same period in 2019, to HK$2.3 billion. The construction business reported a considerably higher profit and maintained a strong order book, while the property business recorded markedly lower rental income and a lack of major disposal gains.

The decrease in both profit and turnover of the Group for the current interim period was mainly attributable to the adverse impact on the performance and assets valuation of its property business resulting from the pandemic, notably a delay in the sales and handover of the retail shops and SOHO units in Tianjin Veneto Phase 2, lower leasing income resulting from rental concessions offered to tenants, and fair value losses on the Group's property assets in the Mainland. In addition, the loss for this interim period was aggravated by the HK$44 million net foreign exchange loss mainly arising from the 2.0% depreciation of the Renminbi against the Hong Kong dollar on the Group's property assets in the Mainland.

Chongqing Creative Concepts Center

Key Corporate and Business Developments

New Issuance and Redemption of Senior Notes

In January 2020, SOCAM issued 6.25% senior notes due 2022 in an aggregate principal amount of US$180 million primarily to refinance the Group's existing indebtedness with near-term maturities, including the existing 6.25% senior notes due 2020, and for general corporate purposes. The net proceeds of the new issuance of senior notes amounted to approximately US$177 million. In May 2020, SOCAM redeemed all the outstanding 6.25% senior notes due 2020, upon maturity, in an aggregate principal amount of approximately US$173.2 million.

Acquisition of Entire Interests in Tianjin Veneto Project

In July 2020, the Group exercised its options to acquire 90% share interest in Tianjin Veneto, with no further payment, to formalise the Group's holding of the project, instead of merely holding the right to acquire such share interest. In addition, in July 2020, the vendors exercised the put options previously granted to them requiring the Group to acquire the remaining 10% share interest in Tianjin Veneto. Upon completion of these transactions in August 2020, the Group holds the entire share interest in this project.

Strengthening Business Sustainability

As a strategic move, SOCAM is making greater efforts to integrate sustainability into all aspects of the Group's business operations, particularly on talent development and investment in technology to ride the waves of ever-changing business needs. Paving the way for an effective succession planning, the Group continues to hire and nurture construction talents through executive development and various trainee programmes. More resources are being invested in learning and development, as well as upgrading of information technology infrastructure, to better equip and engage our employees in the era of digitalisation. The Group has managed to ensure smooth day-to-day operations with the use of virtual meetings since the pandemic began. We also redeployed our human resources and redirected some members of our property team to other business areas.

During the period, the Group applied for wage subsidies under the Employment Support Scheme, a relief measure rolled out by the HKSAR Government to encourage employers to retain employees and prevent mass lay-offs during the current difficult times and this will help reduce our payroll cost and benefit our workforce. To cope with the expanding workload of our construction business, the Company will continue to expand the construction team, strengthening staff training and development and improving the workplace environment further.

Redevelopment of
Kwai Chung Hospital (Phase 2)

CONSTRUCTION

Our construction business in Hong Kong achieved a significant profit, supported by a strong order book, and projects on hand progressed largely on track.

Market Review

Hong Kong's construction industry has suffered serious setback since the second half of 2019 when large scale social protests took place, and the situation has been deteriorating following the outbreak of coronavirus in January 2020. Construction activities declined further in the first half of 2020, after three consecutive years of contraction. The industry's unemployment rate surged to 11.3% in July 2020, the highest level since 2006, compared to 4.8% in July 2019, easing the shortage of construction workers. Construction materials costs also showed a decline. Delays in approving funding in the Legislative Council (Legco) of the HKSAR continued, further slowing down the tendering and award of government projects. All these have severely intensified the market competition during the interim period.

Impact of COVID-19 Pandemic

The pandemic had modest impact on the Group's building construction activities during the first half of 2020, in the form of minor delay in commencement of newly-secured projects, and slight disruptions to on-site activities and building materials supply chains, as well as additional costs incurred during the epidemic and those arising out of subsequent acceleration of works. The work progress of the Group's fit-out and refurbishment works mainly in the commercial sector, however, suffered a bigger hit during the period.

Apart from worksite safety, the health and well-being of our employees and business partners are also our primary concern. A number of precautionary measures have been put in place to manage the risks at our offices and construction sites, thereby providing a safe working environment for our staff and workers as well as our clients, suppliers and sub-contractors while ensuring continued operation without undue disruptions. These included installing thermographs to measure body temperature of employees and visitors at the office/site entrances, enforcing the wearing of face masks and physical distancing to the extent possible, distributing over 200,000 face masks to our staff and workers during the critical period, adopting flexible work arrangements, and maintaining vigorous personal and environment hygiene at workplaces. We have adhered to the health and safety guidelines issued by the public health authorities and our clients in a bid to minimise the risks of contracting and spreading of the coronavirus at the workplaces.

We are vigilantly attentive to our rights and obligations under the construction contracts. Discussions are currently underway with our clients to seek extension of time in completing the works due to schedule delays caused by the coronavirus outbreak, while mitigating all possible losses. We expect the additional cost incurred in implementing the health and safety measures at workplaces and accelerating the work progress of the affected construction projects to be relatively not significant.

We maintained vigorous personal and environment hygiene at sites.

Multi-welfare services complex in Kwu Tung North

Adoption of New Technology and Safety

Further progress has been made on the application of Building Information Modelling (BIM) during the period, following the establishment of our office in Zhuhai last year to, among others, strengthen the Group's in-house design and technical capabilities, in a strategic move to enhance its competitiveness in tendering for the growing number of design-and-construction jobs from the HKSAR Government and other clients. We have also adopted the latest international building technology and systems, e.g. Factory Cut and Bend, in our construction projects to enhance health and safety, quality of works, and better utilise space and time on project sites.

Safety has always been a top priority for SOCAM. With our continued efforts in promoting and strengthening safety at worksites, our performance improved further in the first half of 2020. We recorded an accident rate of 1.84 per 1,000 workers, which hit the lowest on our records and is well below the industry average.

Our efforts have earned us industry recognitions. During the period, Shui On Building Contractors Limited's term contract for design and construction of minor building and civil engineering works for the CLP Group garnered the Gold Award and Outstanding Performance in Work-at-height Safety Prize in Minor Renovation and Maintenance Works in the Construction Industry Safety Award Scheme 2019/2020 organised by the Labour Department. Hong Kong Children's Hospital, a joint venture design and build project completed in 2017, was upgraded to Final BEAM Plus Platinum, further recognising the sustainable features and energy-efficient installations of the project.

Operating Performance

The Group's construction business reported a profit of HK$190 million for the first half of 2020, a 84% increase over the profit of HK$103 million for the same period in 2019. Turnover for the first six months of 2020 amounted to HK$2.1 billion, up from HK$1.9 billion for the corresponding period in 2019. Average pre-tax profit margin increased significantly to 9.1% in the current interim period, from 5.5% for the prior interim period.

	1H 2020	1H 2019
Profit	**HK$190 million**	HK$103 million
Turnover	**HK$2.1 billion**	HK$1.9 billion
Profit margin	**9.1%**	5.5%

New Contracts Awarded and Workload

	1H 2020	1H 2019
New contracts awarded	**HK$1,958 million**	HK$2,069 million

	30 Jun 2020	31 Dec 2019
Gross value of contracts on hand	**HK$23.1 billion**	HK$22.1 billion
Gross value of contracts to be completed	**HK$15.3 billion**	HK$15.1 billion

The Group's order book remained strong. During the first six months of 2020, a number of new construction, maintenance, fit-out and renovation contracts in Hong Kong and Macau worth a total of HK$1,958 million were secured, compared with the HK$2,069 million awarded in the corresponding period of 2019. More details of the new contracts will be provided under the respective companies below.

As at 30 June 2020, the gross value of contracts on hand was HK$23.1 billion and the value of outstanding contracts to be completed was HK$15.3 billion, compared with HK$22.1 billion and HK$15.1 billion respectively as at 31 December 2019. The strong order book will help produce healthy growth in turnover, profit and cash flow in the coming few years.

The Group's construction projects continued apace and a number of contracts were completed during the current interim period.

Shui On Building Contractors Limited (SOBC)

New contracts secured by SOBC during the first half of 2020 totalled HK$1,169 million, which included:

- A 3-year district term contract for maintenance, improvement and vacant flat refurbishment works for public housing estates at Wong Tai Sin, Tsing Yi and Tsuen Wan, awarded by the Hong Kong Housing Authority (HKHA);
- A 3-year district term contract for maintenance, improvement and vacant flat refurbishment works for public housing estates in Kowloon East Area 2, awarded by the HKHA;
- A 5-year term contract for maintenance, improvement and refurbishment works for buildings at the Hong Kong International Airport, awarded by Airport Authority Hong Kong; and
- A 2-year term contract for architectural and building works for MTRC railways and premises in Hong Kong, awarded by the MTR Corporation Limited (MTRC).

All these term contracts are undertaken by **Pacific Extend Limited** (PEL), a subsidiary of SOBC, and continue to provide stable income stream to the Group in addition to building construction projects. PEL has built up a strong clientele, including the HKHA, Architectural Services Department (ASD), Hospital Authority in Hong Kong, Airport Authority Hong Kong, Education Bureau, CLP Group, MTRC and Hong Kong Jockey Club. PEL continues to expand its client base and seek greater works diversification, as it stands to benefit from the sustainable work flow from the maintenance and minor works market.

SOBC and PEL continued to make progress on their existing contracts, including the construction of a public housing development in Chai Wan for the HKHA, the term contract for the design and construction of fitting out works for the ASD, the term contracts for alterations, additions, maintenance and repair works for the Education Bureau, the architectural and building works term contract for the MTRC, the term contract for design and construction of minor building and civil engineering works for the CLP Group, and various minor works term contracts for the Hospital Authority in Hong Kong, the Education Bureau and the Hong Kong Jockey Club.

Maintenance, improvement and refurbishment works at the Hong Kong International Airport

Public Housing Development at Wing Tai Road, Chai Wan

During the period, SOBC completed the construction contract for the public housing project at Fung Shing Street, Wong Tai Sin, which provides 754 public rental housing units and ancillary facilities.

Shui On Construction Company Limited (SOC)

SOC proceeded well with its contract from the ASD for the design and construction of the Junior Police Officers Married Quarters at Fan Garden, as well as the Central Market Revitalisation Project for the Urban Renewal Authority during the period. In addition, work began on the two design and construction contracts awarded to SOC, in joint venture with SOBC, in December 2019, namely, the redevelopment of Kwai Chung Hospital (Phase 2) for the Hospital Authority in Hong Kong and provision of a purpose-built multi-welfare services complex for the elderly at Kwu Tung North for the ASD.

During this interim period, the ASD continued to release a number of construction contracts for tender, and the construction division submitted tenders for selected ones, mainly involving design and construction work. Competition is very keen, and the Group, capitalising on its competency in design and build, will continue to capture the tender opportunities in the second half of the year and beyond.

Pat Davie Limited (PDL)

PDL continues to be very active in the highly competitive fit-out and refurbishment markets of both Hong Kong and Macau. In the first six months of 2020, it secured a total of 21 new contracts with an aggregate value of HK$789 million primarily in the commercial and institutional sectors in Hong Kong, and maintained a healthy order book.

The major contracts secured during this interim period included:

- Fit-out works on The Hong Kong Palace Museum for the West Kowloon Cultural District Authority;
- Asset enhancement works on Tai Wo Plaza of Link Asset Management Limited in Tai Po;
- Wholesale conversion of West Gate Tower in Cheung Sha Wan;
- Hotel guestrooms refurbishment and restaurant renovation works on EAST Hong Kong for Swire Properties Management Limited;

The Group's new office in Zhuhai

- Fit-out works on Shakespeare Hall for Venetian Orient Limited in Macau; and
- Fit-out works on Shun Tak Hengqin Integrated Development Retail Mall in Hengqin Island, Zhuhai.

Despite the various delays and disruptions caused by the COVID-19 pandemic to the work progress, PDL managed to deliver the projects on schedule and within budget. Contracts worth a total of HK$302 million and HK$201 million were completed in Hong Kong and Macau respectively during the period. Notable ones included the fitting out of the new Incubation Centre in the Hong Kong Science Park and builder's works on the data centre of PCCW in Fotan, Hong Kong; and refurbishment works on Wynn Macau.

Subsequent to the interim period end, PDL secured a number of new contracts worth a total of HK$45 million, which included the restaurant and hall refurbishment works for Galaxy in Macau. The gaming industry in Macau has been hard hit and PDL remains cautious about the rapid market changes and possible adjustments to the refurbishment plans of the casino hotels.

Chengdu Centropolitan –
outdoor concert

PROPERTY

We are constantly reviewing our tenant mixes as well as leasing and marketing strategies to prepare for the fast-changing consumer behaviour post COVID-19.

Market Review

In Mainland China, retail sales of consumer goods decreased by 11.4% YoY to RMB17.2 trillion in the first six months of 2020, as the COVID-19 pandemic severely hampered consumer sentiment. The retail sales decline, however, narrowed on a YoY basis in the second quarter, sparking hopes of a further recovery in the second half of the year.

The COVID-19 outbreak has accelerated digitalisation of the Mainland's economy and put further pressure on the traditional retail model. It has brought more people online when staying home, and the unprecedented social distancing measure drove consumers to reach out for public services online and tune in for more interactive online shopping experience such as livestreaming. We are constantly reviewing our tenant mixes as well as leasing and marketing strategies to prepare for the fast-changing consumer behaviour post COVID-19.

Impact of COVID-19 Pandemic

The shopping malls of the Group were closed temporarily shortly after the Chinese New Year under the local government directives, and met with varying degrees of severity amid the public health crisis. While Shenyang Tiandi was partially re-opened in mid-February, our malls in Chengdu and Chongqing were allowed to re-open gradually from mid-March. Tianjin Veneto was subject to more stringent government restrictions, and was worst-hit. It was re-opened partially in late March. However, tenants engaged in cinema and child/education-related businesses, which accounted for a relatively high proportion in our malls, were still not allowed to resume operation at the end of this interim period for strict crowd control. The pandemic already caused a massive decline in the customer footfalls at our malls and our tenants' businesses. The resurgence of the coronavirus cases in Beijing in June brought about a dip in the footfall at Tianjin Veneto again.

In addition, construction works on the retail shops and SOHO units in Tianjin Veneto Phase 2 were suspended, while sales were disrupted, between late January and early April. Handover of the pre-sold units, and recognition of resultant sales profit, have to be put off from the scheduled first half of this year, to the second half.

We offered rental and property management fee concessions, and provided other support measures to the tenants of our shopping malls battered by the COVID-19 outbreak in a move to help them survive and fight the epidemic, while mitigating the adverse impact on the mall operations.

On the other hand, the local government authorities granted exemption of property tax, social welfare contributions and various government fees to help reduce the financial burden of businesses amid the pandemic, and the Group's entitlements totalled RMB4.3 million for the period concerned.

We reinforced hygiene measures at our malls to protect our staff and customers.

Tianjin Veneto was re-opened partially in March.

Recreational facilities at Chengdu Centropolitan

Shenyang Tiandi organised Farmers Market in June.

Operating Performance

The Group's property business recorded a loss of HK$71 million, on a turnover of HK$168 million for the first six months of 2020, as compared with the profit of HK$173 million and turnover of HK$746 million in the same period of 2019.

As of 30 June 2020, the Group owned six projects in Mainland China, which are summarised in the table below. Within this portfolio, 358,700 square metres gross floor area (GFA) were completed properties, and 67,100 square metres GFA 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	86,900	**163,200**	163,200	Completed
Chongqing	Creative Concepts Center	–	–	21,000	9,900	**30,900**	30,900	Completed
Guangzhou	Parc Oasis	–	–	300	4,700	**5,000**	5,000	Completed
Nanjing	Scenic Villa	12,400	–	–	11,700	**24,100**	24,100	2021
Shenyang	Shenyang Project Phase 1	–	1,600	62,200	22,500	**86,300**	86,300	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
Total		12,400	47,700	226,700	139,000	**425,800**	414,200	

* The GFA shown excludes sold and delivered areas.

** SOCAM has 90% interest in this project. The remaining 10% interest was acquired by SOCAM in August 2020.

Property Sales

In the first six months of 2020, the Group recognised revenue of HK$80 million (1H 2019: HK$673 million) and profit of HK$11 million from property sales (1H 2019: HK$113 million).

Major property sales by project during the period:

Project	1H 2020			1H 2019		
	Contracted sales		Handover	Contracted sales		Handover
	Contracted amount* (RMB million)	GFA sold/ carparks sold (sq.m.)/(no.)	GFA delivered/ carparks delivered (sq.m.)/(no.)	Contracted amount* (RMB million)	GFA sold/ carparks sold (sq.m.)/(no.)	GFA delivered/ carparks delivered (sq.m.)/(no.)
Nanjing Scenic Villa						
(Residential/villa)	**5**	**240**	**3,430**	245	11,960	26,970
(Carparks)	**4**	**31 units**	**31 units**	3	28 units	29 units
Tianjin Veneto Phase 2						
(Retail)	**10**	**260**	**–**	193	5,720	–
(SOHO)	**48**	**4,280**	**–**	–	–	–
Chengdu Centropolitan						
(Kindergarten**)	**–**	**–**	**3,560**	–	–	–
(Carparks)	**2**	**11 units**	**6 units**	70	426 units	424 units
(SOHO)	**–**	**–**	**–**	–	–	200

* VAT inclusive

** Classified as investment property, the sales of which were not regarded as turnover

At Nanjing Scenic Villa, property sales revenue recognised in the first half of 2020 amounted to RMB75 million, comprising 12 villas, with a total GFA of 3,430 square metres, and 31 car parking spaces. Up to 30 June 2020, nearly all of the villas and 83 car parking spaces were sold and handed over to buyers, with 3 villas and 157 car parking spaces remaining unsold. The Group will continue to push for sales of these stocks.

The Group contracted sales of 7 retail shops and 65 SOHO units, with a total GFA of 4,540 square metres, in Phase 2 of Tianjin Veneto for a total sales amount of RMB58 million during this interim period. As at 30 June 2020, out of a total of 486 retail shops and 184 SOHO units, sales of 197 retail shops and 101 SOHO units with respective total GFA of 7,490 square metres and 6,740 square metres were contracted for total sales amounts of RMB261 million and RMB77 million respectively. Construction of the retail shops and SOHO units is expected to be completed in the fourth quarter of this year, and handover of the pre-sold premises will take place towards this year-end.

In January, the Group handed over the kindergarten premises in Chengdu Centropolitan, with 3,560 square metres GFA, to EtonHouse Education Services for the sales consideration of RMB45.5 million. The gain on disposal of this property was already reflected through the fair value uplift of investment properties in 2019.

Chongqing Creative Concepts Center

Rental Performance

For the first six months in 2020, total gross rental income before deduction of applicable taxes from the Group's retail and office properties in the Mainland was approximately RMB26 million, down from RMB32 million for the corresponding period in 2019, mainly due to the rental concessions offered to tenants of the Group's retail premises. Tianjin Veneto suffered from the largest rental decrease because it had been closed for two months and most of its major tenants are subject to turnover rent and their businesses are severely affected by the crisis.

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

Project	Rental Income (RMB'000)	
	1H 2020	1H 2019
Chengdu Centropolitan		
Retail	**5,297**	5,925
Office	**10,639**	10,222
Chongqing Creative Concepts Center		
Retail	**2,348**	3,068
Shenyang Tiandi		
Retail	**3,378**	5,251
Tianjin Veneto Phase 1		
Retail	**4,467**	7,584

Occupancy Rates of Retail and Office Properties in Mainland China:

Project	Total GFA (sq.m.)	Occupancy Rate	
		30 Jun 2020	31 Dec 2019
Chengdu Centropolitan			
Retail	43,000	**85%**	87%
Office	33,300	**92%**	99%
Chongqing Creative Concepts Center			
Retail	21,000	**80%**	89%
Shenyang Tiandi			
Retail	62,200	**77%**	77%
Tianjin Veneto Phase 1			
Retail	63,600	**72%**	73%

Amidst the severe market conditions, we have built a stronger landlord/tenant relationship and seen relatively steady occupancies in most of our shopping malls.

Occupancy of the office tower at Chengdu Centropolitan stood firm at 99% during the first five months of this year, but declined to 92% as at 30 June 2020, with the move-out of a few tenants in June 2020.

Asset Enhancement Initiatives

SOCAM set different strategies for our asset enhancement initiatives at different stages of the COVID-19 pandemic. In April when the pandemic started to ease, we introduced a series of measures to capture opportunities arising from the retail rebound driven by pent-up demand. To improve the shopping experience of visitors, we enhanced the interior design of our malls by introducing more green and modern features. We also upgraded the existing functional facilities including escalators and lighting. On top of that, more entertainment elements were introduced for local communities, such as recreational facilities for children. A series of new promotional events including outdoor concerts, summer fiestas and farmers' markets, were organised.

Property Management

Shui On Properties Management Limited has become more active in its market and is expanding its client base in Hong Kong to increase business. It contributed stable income and cash flow to the Group during the first half of this year.

Tianjin Veneto

Outlook

The public health crisis remains a key threat to the global economy in the short run, reshaping business and trade. The worsening of US-China relations, heightened geopolitical tensions and the rise of de-globalisation again present a volatile market, and add prolonged uncertainty to the global economic outlook.

China has become the first major economy to recover from the impact of COVID-19, after the city lockdowns were lifted and factories and shops reopened in the second quarter. Consumer spending, however, remained soft, and more policy support from the Central Government is needed to accelerate the economic recovery. In the face of the increasingly complex external environment and weakening international market with rising protectionism, China is looking inward to speed up its pace of economic growth. It plans to leverage the strength of its huge domestic market, while drawing in foreign investment and stabilising trade, in a bid to attain more vigorous and sustainable development.

In Hong Kong, economic conditions remain austere. The already recovering business and economic activities are facing another blow due to the renewed COVID outbreak from July and the stricter anti-epidemic controls. The HKSAR Government has rolled out a series of relief measures to help safeguard jobs, support enterprises and relieve people's financial burdens.

We remain extremely cautious on the changing and uncertain economic outlook of Hong Kong. It is expected that SOCAM, like most companies, will have to cope with the unfavourable market conditions for some time to come. We foresee a contraction in the private sector construction projects in the next few years, while more tendering opportunities will come from the public sector to address the imminent housing and healthcare needs where SOCAM stands to benefit. Unemployment rate is set to upsurge progressively, easing the shortage of construction labour. The global economic downturn will exert downward pressure on building material prices. All these set the scene for more severe market competition for the public sector construction contracts.

Nevertheless, we see the crisis creating both risk and opportunity, We will continue to build on our core strengths and grow those business areas where we are strongest. We believe that our construction business will usher in a tide of opportunities in the coming few years. To cope with the increasing workload, SOCAM is committed to expanding its construction workforce with more young up-and-comers, strengthening training and development, and raising investment in nurturing talents, which will also facilitate succession planning over the longer term.

We will further sharpen our competitive edge, notably health and safety and design-and-build capabilities, to put us in a better position to respond to the new trends and harness the tremendous opportunities ahead. Moreover, as we maintain and navigate close relationship with business partners, the increasing collaboration among the Group's building, maintenance and fitting out teams, leveraging one another's strengths, and extensive adoption of innovative new technologies in design and construction processes will give the Group an edge over the competition.

With a leaner property team and mall-focused portfolio, the Group is responding dynamically to the consumer behaviour in the new normal and the changing retail market landscape, and strives for marked improvement in occupancy, footfall and rental performance to generate higher returns. The Group will also step up marketing efforts to push for the sales of the remaining units in Tianjin Veneto Phase 2 in the coming months.

In the current difficult times, SOCAM continues to build on our core competencies, strengthen the organisation, and sharpen our focus on the booming public sector construction in Hong Kong as we prioritise our strategies with greater resilience. As always, we will adopt a prudent strategy and remain alert to acquisition and disposal opportunities to create value for shareholders.

Shenyang Tiandi

FINANCIAL REVIEW

We will continue to build on our core strengths and grow those business areas where we are strongest, to harness the tremendous opportunities ahead.

Interim Results

The Group's loss attributable to shareholders for the six months ended 30 June 2020 was HK$130 million on a turnover of HK$2,251 million, compared with the profit of HK$11 million and turnover of HK$2,625 million for the corresponding period last year. The Board has resolved not to declare an interim dividend (2019: nil).

An analysis of the total turnover is as follows:

	Six months ended 30 June 2020 HK$ million	Six months ended 30 June 2019 HK$ million
Turnover		
SOCAM and subsidiaries		
Construction	**2,083**	1,879
Property	**168**	746
Total	**2,251**	2,625
Joint ventures		
Others	**4**	13
Total	**4**	13
Total	**2,255**	2,638

The construction business reported a 11% increase in turnover for the first half of this year, as compared with the same period last year. The increase in turnover was mainly attributable to our major design and construction contracts including the Junior Police Officers Married Quarters at Fan Garden, the redevelopment of Kwai Chung Hospital (Phase 2) and the multi-welfare services complex at Kwu Tung North, as well as the Central Market Revitalisation Project.

Revenue from the property business decreased to HK$168 million, from HK$746 million in the prior interim period, since relatively lower sales revenue was recognised for the Nanjing Scenic Villa project during the current interim period as most of the villa units had been sold and delivered to buyers in prior periods. In addition, the sale progress of the retail shops and SOHO units in Phase 2 of the Tianjin Veneto project was disrupted and slowed down while handover of the sold property inventories was deferred to the second half of 2020 as a result of the outbreak of the novel coronavirus pandemic (COVID-19) in early 2020.

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

	Six months ended 30 June 2020 HK$ million	Six months ended 30 June 2019 HK$ million
Construction	**190**	103
Property		
Profit from property sales	**11**	113
Net rental income (expenses)	**1**	(5)
Fair value changes on investment properties, net of deferred tax provision	**(38)**	29
Gain on disposal of interest in a joint venture	**–**	61
Disposal of interest in Dalian Tiandi	**3**	20
Hong Kong property management	**5**	2
Net operating expenses	**(53)**	(47)
	(71)	173
Net finance costs		
Senior notes	**(74)**	(68)
Bank and other borrowings	**(21)**	(40)
Net foreign exchange losses	**(44)**	(7)
Corporate overheads and others	**(36)**	(26)
Taxation	**(40)**	(99)
Non-controlling interests	**(34)**	(25)
Total	**(130)**	11

Construction

The construction business posted significantly higher profit for the current interim period. Average net profit before tax margin was 9.1% of turnover, which was above the 5.5% margin in the previous interim period, largely due to (i) profit upward adjustments with respect to certain of the construction projects completed in the current period and prior years being taken up in the current period; and (ii) write-back of certain provisions made in previous years.

Property

As mentioned above, most of the villa units of the Nanjing Scenic Villa project had been sold in 2019 and profit from property sales decreased accordingly in the interim period. Rental income of the shopping malls of the Group and the office tower of Chengdu Centropolitan decreased in the first six months of 2020 owing to the disruption of normal business during the COVID-19 outbreak. In this connection, the Group has assisted its tenants by providing, among others, waiver of rental and management fees amounting to approximately RMB10 million. While rental income was adversely affected, direct rental expenses were reduced by a further extent, which resulted in a small net rental income being reported for this interim period. At 30 June 2020, the office tower of Chengdu Centropolitan was 92% let, generating a positive net rental for the period.

The Group completed the acquisition of the Hong Kong property management business from Shui On Private Group in April 2019, which contributed HK$49 million revenue and HK$5 million net profit to the Group in this interim period. In addition, the outstanding consideration payable with respect to the disposal of the 22% interest in Dalian Tiandi in 2017 was reduced to approximately RMB28 million at 30 June 2020. Interest income calculated at the rate of 15% per annum on the overdue outstanding amount payable to the Group, amounting to HK$3 million, was recognised in the current interim period.

Net finance costs

In January 2020, the Company issued US$180 million 6.25% senior notes due January 2022 to finance the repayment of the US$ senior notes matured in May 2020, which caused higher finance costs being incurred on US$ senior notes issued. Decrease in net finance costs on the Group's bank and other borrowings, which are mostly HIBOR based HK$ bank borrowings, was due to the decrease in average bank and other borrowings balance and lower HIBOR in 2020 as compared to 2019.

Foreign exchange losses

During the current interim period, the Renminbi registered a 2.0% depreciation against the Hong Kong dollar, while the United States dollar registered a 0.5% depreciation against the Hong Kong dollar. These resulted in net foreign exchange losses totalling HK$118 million for the current interim period, of which HK$44 million and HK$74 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$7 million and HK$17 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 2020 HK$ million	31 December 2019 HK$ million
Total assets	**9,033**	9,436
Net assets	**2,589**	2,805
	HK$	HK$
Net assets per share	**6.9**	7.5

Total assets of the Group decreased to HK$9.0 billion at 30 June 2020, from HK$9.4 billion at 31 December 2019. The decrease in both net assets of the Group and net assets per share was principally attributable to the HK$130 million loss for the period and the decrease in the translation reserve of HK$74 million as a result of the depreciation of Renminbi against the Hong Kong dollar.

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

	30 June 2020 HK$ million	**%**	31 December 2019 HK$ million	%
Construction	**1,745**	**19**	1,710	18
Property	**6,720**	**75**	7,090	75
Corporate and others	**568**	**6**	636	7
Total	**9,033**	**100**	9,436	100

The proportion of total assets of each business segment remained relatively stable at 30 June 2020, when compared with that at 31 December 2019.

Equity, Financing and Gearing

The shareholders' equity of the Company decreased to HK$2.6 billion on 30 June 2020, from HK$2.8 billion on 31 December 2019.

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$1,610 million on 30 June 2020, as compared with HK$1,520 million on 31 December 2019.

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

	30 June 2020 HK$ million	31 December 2019 HK$ million
Bank borrowings repayable:		
Within one year	**965**	1,019
After one year but within two years	**291**	288
After two years but within five years	**214**	239
After five years	**96**	93
Total bank borrowings	**1,566**	1,639
US$ senior notes	**1,350**	1,344
Total bank and other borrowings	**2,916**	2,983
Bank balances, deposits and cash	**(1,306)**	(1,463)
Net bank and other borrowings	**1,610**	1,520

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, increased to 62.2% at 30 June 2020, from 54.2% at 31 December 2019, mainly as a result of the decrease in equity during the period.

Treasury Policies

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

The Group's bank borrowings are mainly denominated in Hong Kong dollars and have been arranged on a floating-rate basis. Investments in 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. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Employees

At 30 June 2020, the number of employees in the Group was approximately 1,613 (31 December 2019: 1,500) in Hong Kong and Macau, and 399 (31 December 2019: 410) 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.

Junior Police Officers Married Quarters in Fan Garden, Fanling

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 21 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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

28 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June 2020 HK$ million (unaudited)	2019 HK$ million (unaudited)
Turnover			
The Company and its subsidiaries		**2,251**	2,625
Share of joint ventures		**4**	13
		2,255	2,638
Group turnover	3	**2,251**	2,625
Other income, other gains and losses	4	**(6)**	32
Cost of properties sold		**(63)**	(542)
Raw materials and consumables used		**(130)**	(127)
Staff costs		**(368)**	(317)
Depreciation and amortisation		**(18)**	(14)
Subcontracting, external labour costs and other expenses		**(1,571)**	(1,496)
Fair value changes on investment properties		**(51)**	31
Gain on disposal of partial interest in a joint venture		**–**	61
Dividend income from equity investments		**3**	3
Finance costs	5	**(115)**	(122)
Share of (loss) profit of joint ventures		**(1)**	3
(Loss) profit before taxation		**(69)**	137
Taxation	6	**(27)**	(101)
(Loss) profit for the period	7	**(96)**	36
Attributable to:			
Owners of the Company		**(130)**	11
Non-controlling interests		**34**	25
		(96)	36
(Loss) earnings per share	9		
Basic		**HK$(0.35)**	HK$0.03
Diluted		**HK$(0.35)**	HK$0.03

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
	(unaudited)	(unaudited)
(Loss) profit for the period	**(96)**	36
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	**(74)**	(17)
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	**(12)**	2
Other comprehensive expense for the period	**(86)**	(9)
Total comprehensive (expense) income for the period	**(182)**	27
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(216)**	2
Non-controlling interests	**34**	25
	(182)	27

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 HK$ million (unaudited)	31 December 2019 HK$ million (audited)
Non-current Assets			
Investment properties		**4,450**	4,583
Goodwill		**9**	7
Other intangible assets		**4**	6
Right-of-use assets		**40**	15
Property, plant and equipment		**35**	32
Interests in joint ventures		**102**	101
Financial assets at fair value through other comprehensive income		**39**	51
Club memberships		**1**	1
Trade debtors	10	**13**	–
		4,693	4,796
Current Assets			
Properties held for sale		**324**	393
Properties under development for sale		**707**	687
Debtors, deposits and prepayments	10	**1,265**	1,264
Contract assets		**664**	668
Amounts due from joint ventures		**62**	74
Amounts due from related companies		**12**	43
Restricted bank deposits		**247**	109
Bank balances, deposits and cash		**1,059**	1,354
		4,340	4,592
Assets classified as held for sale		**–**	48
		4,340	4,640
Current Liabilities			
Creditors and accrued charges	11	**2,176**	2,414
Contract liabilities		**414**	324
Lease liabilities		**22**	10
Amounts due to joint ventures		**122**	123
Amounts due to related companies		**66**	51
Amounts due to non-controlling shareholders of subsidiaries		**3**	3
Other financial liabilities		**26**	27
Taxation payable		**135**	142
Bank borrowings due within one year	12	**965**	1,019
Senior notes	13	**–**	1,344
		3,929	5,457
Net Current Assets (Liabilities)		**411**	(817)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 HK$ million (unaudited)	31 December 2019 HK$ million (audited)
Total Assets Less Current Liabilities		**5,104**	3,979
Capital and Reserves			
Share capital	14	**374**	374
Reserves		**2,215**	2,431
Equity attributable to owners of the Company		**2,589**	2,805
Non-controlling interests		**195**	177
		2,784	2,982
Non-current Liabilities			
Bank borrowings	12	**601**	620
Senior notes	13	**1,350**	–
Lease liabilities		**19**	6
Defined benefit liabilities		**62**	58
Deferred tax liabilities		**288**	313
		2,320	997
		5,104	3,979

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 2020	**374**	**2,982**	**103**	**197**	**(3)**	**(1,122)**	**5**	**(16)**	**1**	**284**	**2,805**	**177**	**2,982**
Fair value changes of equity investments at fair value through other comprehensive income	–	–	–	–	–	–	–	–	(12)	–	(12)	–	(12)
Exchange differences arising on translation of financial statements of foreign operations	–	–	(74)	–	–	–	–	–	–	–	(74)	–	(74)
(Loss) profit for the period	–	–	–	–	–	(130)	–	–	–	–	(130)	34	(96)
Total comprehensive (expense) income for the period	–	–	(74)	–	–	(130)	–	–	(12)	–	(216)	34	(182)
Dividends payable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(16)	(16)
At 30 June 2020 (unaudited)	**374**	**2,982**	**29**	**197**	**(3)**	**(1,252)**	**5**	**(16)**	**(11)**	**284**	**2,589**	**195**	**2,784**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company												
	Share capital	Share premium account	Translation reserve	Contributed surplus (Note a)	Goodwill	Accumulated losses	Share option reserve	Actuarial gain and loss	Investment revaluation reserve	Other reserve (Note b)	Total	Non-controlling interests	Total Equity
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
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	–	(1)	–	–	–	–	–	–	–	–	(1)	–	(1)
Dividends payable 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

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 (2019: 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 (2019: 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 (2019: 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	
	2020	2019
	HK$ million	HK$ million
	(unaudited)	(unaudited)
Net cash from operating activities		
Operating cash flows before movements in working capital	**97**	144
Decrease in properties held for sale	**63**	533
Increase in properties under development for sale	**(22)**	(159)
Increase (decrease) in contract liabilities	**96**	(173)
Decrease in creditors and accrued charges	**(194)**	(190)
Movements in other working capital	**23**	98
Tax paid	**(53)**	(85)
	10	168
Net cash (used in) from investing activities		
Repayment from joint ventures	**1**	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	**4**	204
Acquisition of subsidiaries	**–**	(26)
Restricted bank deposits refunded	**84**	3
Restricted bank deposits placed	**(222)**	(3)
Other investing cash flows	**3**	22
	(130)	347
Net cash used in financing activities		
Drawdown of bank borrowings	**759**	313
Repayments of bank borrowings	**(826)**	(198)
Issue of senior notes	**1,399**	–
Expenditure incurred on issue of senior notes	**(20)**	–
Repayment of senior notes	**(1,343)**	–
Loan from a related company	**–**	300
Payment for buy-back of senior notes	**(28)**	(619)
Repurchase of shares	**–**	(1)
Interest paid	**(72)**	(112)
Other financing cash flows	**(29)**	(24)
	(160)	(341)
Net (decrease) increase in cash and cash equivalents	**(280)**	174
Cash and cash equivalents at the beginning of the period	**1,354**	1,237
Effect of foreign exchange rate changes	**(15)**	(2)
Cash and cash equivalents at the end of the period	**1,059**	1,409
Analysis of the balances of cash and cash equivalents		
Bank balances, deposits and cash	**1,059**	1,408
Bank balances, deposits and cash included in assets classified as held for sale	**–**	1
	1,059	1,409

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2020 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").

Impact of COVID-19 pandemic

The repercussions of the novel coronavirus (COVID-19) outbreak have resulted in, among others, a delay in the sale and handover of the Group's property inventories; fair value losses on downward adjustment in fair value of the Group's investment properties in Mainland China; and lower leasing income from the Group's investment properties in Mainland China mainly caused by waiver of rental and property management fees offered to the Group's tenants following the disruption of normal business during the COVID-19 outbreak. As such, the Group has experienced a decline in revenues and operating cash flows but increase in loss for the six months ended 30 June 2020.

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 2020 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except as described below:

– Government subsidies are recognised at their fair value where there is reasonable assurance that the subsidy will be received and all attaching conditions will be complied with. When the subsidy relates to an expense item, it is recognised as other income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are mandatorily effective for the Group's financial period beginning on 1 January 2020. The application of these amendments to HKFRSs has had no material effect on the amounts and disclosures set out in the condensed consolidated financial statements for the current interim period.

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 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. Construction and building maintenance – construction, interior fit-out, renovation and maintenance of building premises mainly in Hong Kong
2. Property – property development for sale and property investment in Mainland China and provision of property management services in Hong Kong and Mainland China
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 2020

	Construction and building maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Revenue from property sales	–	80	–	80
Construction contract revenue	2,083	–	–	2,083
Revenue from rendering of services in Hong Kong	–	49	–	49
Revenue from rendering of services in Mainland China	–	10	–	10
Revenue from contracts with customers	2,083	139	–	2,222
Revenue from property leasing	–	29	–	29
Group's revenue from external customers	2,083	168	–	2,251
Share of joint ventures' revenue	1	–	3	4
Total segment revenue	2,084	168	3	2,255
Timing of revenue recognition				
At a point of time	–	80	–	80
Over time	2,083	59	–	2,142
Revenue from contracts with customers	2,083	139	–	2,222
Reportable segment results	197	(130)	(10)	57
Segment results have been arrived at after crediting (charging):				
Depreciation and amortisation	(7)	(5)	–	(12)
Interest income	7	8	–	15
Fair value changes on investment properties (note)	–	(51)	–	(51)
Dividend income from equity investments	–	–	3	3
Finance costs	–	(7)	–	(7)
Share of (loss) profit of joint ventures				
Property development	–	(3)	–	(3)
Other operations in Guizhou	–	–	2	2
				(1)

3. SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2019

	Construction and building maintenance HK$ million	Property 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 Mainland China	–	13	–	13
Revenue from contracts with customers	1,879	703	–	2,582
Revenue from property leasing	–	43	–	43
Group's revenue from external customers	1,879	746	–	2,625
Share of joint ventures' revenue	1	–	12	13
Total segment revenue	1,880	746	12	2,638
Timing of revenue recognition				
At a point of time	–	673	–	673
Over time	1,879	30	–	1,909
Revenue from contracts with customers	1,879	703	–	2,582
Reportable segment results	108	159	3	270
Depreciation	(5)	(4)	–	(9)
Interest income	5	23	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

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 2020

	Construction and building maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Reportable segment assets	**2,006**	**6,770**	**840**	**9,616**
Reportable segment liabilities	**1,967**	**1,240**	**455**	**3,662**

At 31 December 2019

	Construction and building maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Reportable segment assets	1,971	7,138	915	10,024
Reportable segment liabilities	2,062	1,408	399	3,869

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

	Six months ended 30 June	
	2020 **HK$ million**	2019 HK$ million
Revenue		
Reportable segment revenue	**2,255**	2,638
Elimination of share of revenue of joint ventures	**(4)**	(13)
Consolidated turnover	**2,251**	2,625

3. SEGMENT INFORMATION (continued)

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

	Six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
(Loss) profit before taxation		
Reportable segment profit before taxation	**57**	270
Unallocated other income	**5**	2
Unallocated finance costs	**(108)**	(112)
Other unallocated corporate expenses	**(23)**	(23)
Consolidated (loss) profit before taxation	**(69)**	137

	30 June 2020	31 December 2019
	HK$ million	HK$ million
Assets		
Reportable segment assets	**9,616**	10,024
Elimination of inter-segment receivables	**(583)**	(588)
Consolidated total assets	**9,033**	9,436

	30 June 2020	31 December 2019
	HK$ million	HK$ million
Liabilities		
Reportable segment liabilities	**3,662**	3,869
Elimination of inter-segment payables	**(583)**	(588)
Unallocated liabilities		
– Bank borrowings	**1,335**	1,316
– Senior notes	**1,350**	1,344
– Taxation and others	**485**	513
Consolidated total liabilities	**6,249**	6,454

4. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
Included in other income, other gains and losses are:		
Other income		
Interest income	**20**	34
Government subsidies (note)	**10**	–
Other gains and losses		
Discount on senior notes buy-back	**3**	–
Exchange loss	**(42)**	(7)

Note:

The government subsidies represent the wage subsidy provided by the HKSAR Government under the employment support scheme to help businesses tide over financial difficulties during the COVID-19 epidemic, which are recognised as income at the time the Group fulfilled the relevant granting criteria.

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
Interest on bank and other loans	**35**	51
Interest on senior notes	**77**	68
Other borrowing costs	**3**	3
	115	122

6. TAXATION

	Six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	**32**	21
The People's Republic of China ("PRC") Enterprise Income Tax	**6**	48
PRC Land Appreciation Tax	**9**	45
	47	114
Deferred taxation	**(20)**	(13)
	27	101

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax is calculated at 25% (2019: 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.

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
(Loss) profit for the period has been arrived at after charging:		
Depreciation and amortisation		
Depreciation of property, plant and equipment	**6**	6
Depreciation of right-of-use assets	**10**	8
Amortisation of other intangible assets	**2**	–
	18	14
Cost of properties sold	**63**	542

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend (2019: Nil) for the six months ended 30 June 2020.

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
(Loss) profit for the period attributable to owners of the Company:		
(Loss) profit for the purpose of basic and diluted (loss) earnings per share	**(130)**	11
	Million	Million
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**374**	384
Effect of dilutive potential ordinary shares:		
Share options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**374**	384

The computation of the diluted loss per share for the six months ended 30 June 2020 does not assume the exercise of the Company's share options, because this would result in a decrease in loss per share.

The computation of the diluted earnings per share for the six months ended 30 June 2019 did 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 that period when those options were outstanding.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

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

Included in debtors, deposits and prepayments are debtors, net of allowance for credit loss, 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 2020 HK$ million	31 December 2019 HK$ million
Trade debtors aged analysis (note a):		
Not yet due or within 90 days	**379**	372
91 days to 180 days	**4**	3
181 days to 360 days	**9**	1
Over 360 days	**1**	1
	393	377
Consideration receivable in respect of disposal of an associate (note b)	**31**	36
Prepayments, deposits and other receivables (note c)	**854**	851
	1,278	1,264
Less: amounts due for settlement after 12 months (note d)	**(13)**	–
	1,265	1,264

Notes:

(a) Included in the trade debtors are receivables of HK$10 million (31 December 2019: 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 2020 are receivables of HK$488 million (31 December 2019: HK$482 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$131 million (31 December 2019: HK$134 million) carries interest at prevailing market rates. A court in the PRC issued notices to attach the aforesaid property interest to cause the Debtor to settle part of the outstanding receivable in the amount of approximately RMB276 million (approximately HK$302 million) (31 December 2019: RMB276 million (approximately HK$308 million)) and its related interest. In addition to these receivables, the Company has provided a guarantee in relation to a loan granted to the Debtor (see note 17(a)). 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.

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

11. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors (based on invoice date) of HK$186 million (31 December 2019: HK$375 million), which are included in the Group's creditors and accrued charges, is as follows:

	30 June 2020 HK$ million	31 December 2019 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**157**	337
31 days to 90 days	**13**	19
91 days to 180 days	**3**	3
Over 180 days	**13**	16
	186	375
Retention payable	**403**	427
Provision for contract work/construction cost	**1,330**	1,345
Other accruals and payables	**257**	267
	2,176	2,414

12. BANK BORROWINGS

During the period, the Group raised bank borrowings totalling HK$759 million (2019: HK$313 million), repaid bank borrowings totalling HK$826 million (2019: HK$198 million), and obtained new and renewed existing credit facilities totalling HK$660 million (2019: HK$450 million). New and renewed bank loan facilities of the Group carry interest at variable rates of approximately 1.54% to 3.69% (2019: 5.28% to 5.78%) per annum.

13. SENIOR NOTES

	30 June 2020 HK$ million	31 December 2019 HK$ million
At the beginning of the period/year	**1,344**	2,023
Issue of new senior notes	**1,399**	–
Less: Transaction costs directly attributable to issue	**(20)**	–
Interest charged during the period/year	**77**	118
Discount on buy-back senior notes	**(3)**	–
Less: Interest payable reclassified under other payables	**(67)**	(105)
Less: Buy-back of senior notes	**(28)**	(685)
Less: Repayment of senior notes	**(1,343)**	–
Exchange adjustments	**(9)**	(7)
At the end of the period/year	**1,350**	1,344
Less: Amount due within one year shown under current liabilities	**–**	(1,344)
Amount due after one year	**1,350**	–

At 30 June 2020, the senior notes carries interest at 6.25% (2019: 6.25%) per annum.

Issuance of senior notes during the current period

On 23 January 2020, the Company issued US$180 million senior notes to independent third parties with a maturity of two years due on 23 January 2022 (the "2022 US$180 million Notes"). The 2022 US$180 million Notes bear coupon at 6.25% per annum payable semi-annually in arrears.

13. SENIOR NOTES (continued)

Principal terms of the 2022 US$180 million Notes

The 2022 US$180 million Notes are:

(a) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the 2022 US$180 million Notes;

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

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

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

At any time and from time to time prior to 23 January 2022, the Company may at its option redeem the 2022 US$180 million Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2022 US$180 million Notes plus the Applicable Premium (see the definition below), and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to 23 January 2022, the Company may redeem up to 35% of the aggregate principal amount of the 2022 US$180 million Notes with the net proceeds from any private placement or public offering of the common stock of the Company at a redemption price of 106.25% of the principal amount of the 2022 US$180 million Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

In the opinion of the Directors of the Company, the fair value of the option to early redeem the 2022 US$180 million Notes is insignificant at initial recognition and at the end of the reporting period.

"Applicable Premium" means with respect to the 2022 US$180 million Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2022 US$180 million Notes and (2) the excess of (A) the present value at such redemption date of (i) the principal amount of the 2022 US$180 million Notes on the maturity date of the 2022 US$180 million Notes, plus (ii) all required remaining scheduled interest payments due on the 2022 US$180 million Notes through the maturity date of the 2022 US$180 million Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of the 2022 US$180 million Notes on such redemption date.

Buy-back of senior notes

During the six months ended 30 June 2020, the Group bought-back US$4 million (HK$31 million) senior notes from open market at a price ranged from 91.1% to 92.6% to its face value. The difference between the buy-back consideration paid and the carrying amount of senior notes derecognised, amounting to approximately HK$3 million, is included in "other income, other gains and losses".

14. SHARE CAPITAL

	30 June 2020	31 December 2019	**30 June 2020**	31 December 2019
	Number of shares	Number of shares	**HK$ million**	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	**374,396,164**	384,410,164	**374**	384
Repurchase of shares	**–**	(10,014,000)	**–**	(10)
At the end of the period/year	**374,396,164**	374,396,164	**374**	374

15. CAPITAL COMMITMENTS

At 30 June 2020, the Group had no significant capital commitments (31 December 2019: 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 2020	**1,442,000**
Exercised during the period	–
Lapsed during the period	–
Outstanding at 30 June 2020	**1,442,000**

17. CONTINGENT LIABILITIES

At 30 June 2020, the Group had the following contingent liabilities, which have not been provided for in the condensed consolidated financial statements:

(a) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of CCP at that time (the "Former Subsidiary"). Subsequently, the Former Subsidiary was sold by CCP in 2008, but the Company remained as the guarantor for the bank loan following the disposal (see note 10(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 2020, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$593 million) at 30 June 2020 (31 December 2019: RMB542 million (HK$605 million)) and the related interest amounting to RMB581 million (HK$636 million) (31 December 2019: RMB547 million (HK$611 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.

(b) The Group is in discussion with the local government authority in the PRC with respect to the delay in construction completion of a development project in Tianjin, by the date as stipulated in the relevant land grant contracts. The relevant local government authority has accepted certain of the reasons identified by the Group in supporting the application for extending the completion date of the project. Based on the respective supplemental land grant contracts, a penalty of 0.02% of the land grant premium per day would be imposed from 29 June 2018 until the completion of the construction. Taking into account the aforesaid extension as accepted by the government authority and the fact that phase 1 of the project has been completed in 2015 and is in operation; and phase 2 of the project has been launched for pre-sale since January 2019, the estimated penalty as at 30 June 2020, if any, will not be more than RMB10.7 million (31 December 2019: RMB8.3 million). The management of the Company will resume the communication with the relevant government authority after the ease of epidemic in the PRC and are of the view that the exposure should be further reduced or fully exempted.

18. MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2020	2019
Nature of transactions	**HK$ million**	HK$ million
SOCL and its subsidiaries		
Dividend income	**3**	3
Property management services income	**3**	1
Interest expenses	**–**	1
Rental expenses	**1**	1

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

	Six months ended 30 June	
	2020	2019
Nature of transactions	**HK$ million**	HK$ million
Interest expenses	**5**	5
Subcontracting work expenses	**1**	2

(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 six months ended 30 June 2019, 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 six months ended 30 June 2019, 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 six months ended 30 June 2019.

(f) During the six months ended 30 June 2019, 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, which was subsequently repaid in the same year.

18. 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	
	2020	2019
	HK$ million	HK$ million
Fees	**1**	1
Salaries and other benefits	**11**	12
Bonuses	**13**	9
Retirement benefit scheme contributions	**–**	–
	25	22

Note:

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

(h) The emoluments paid or payable to each of the six (2019: six) Directors which were included in note (g) above are set out as follows:

For the six months ended 30 June 2020

Name of Director	Notes	Fees	Salaries and other benefits	Bonus*	Retirement benefit scheme contributions	Share Based Payments	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Lo Hong Sui, Vincent		5	–	–	–	–	5
Mr. Lee Chun Kong, Freddy	(i)	5	2,853	1,551	130	–	4,539
Ms. Lo Bo Yue, Stephanie	(ii)	158	–	–	–	–	158
Ms. Li Hoi Lun, Helen	(iii)	275	–	–	–	–	275
Mr. Chan Kay Cheung	(iii)	297	–	–	–	–	297
Mr. William Timothy Addison	(iii)	260	–	–	–	–	260
		1,000	2,853	1,551	130	–	5,534

18. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(h) The emoluments paid or payable to each of the six (2019: six) Directors which were included in note (g) above are set out as follows: (continued)

For the six months ended 30 June 2019

Name of Director	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Bonus* 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	(iv)	5	3,626	–	–	–	3,631
Ms. Lo Bo Yue, Stephanie	(ii)	141	–	–	–	–	141
Ms. Li Hoi Lun, Helen	(iii)	275	–	–	–	–	275
Mr. Chan Kay Cheung	(iii)	298	–	–	–	–	298
Mr. William Timothy Addison	(iii)	244	–	–	–	–	244
		968	3,626	–	–	–	4,594

* The bonus is discretionary and is determined by reference to the Group's and the Director's personal performances.

Notes:

(i) Mr. Lee Chun Kong, Freddy was appointed as an Executive Director and Chief Executive Officer with effect from 1 October 2019

(ii) Non-executive Director

(iii) Independent Non-executive Directors

(iv) Mr. Wong Yuet Leung, Frankie stepped down as an Executive Director, Chief Executive Officer and Executive Financial Officer with effect from 1 October 2019 and was retired on 1 January 2020

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

At 30 June 2020, 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.

20. EVENT AFTER THE REPORTING PERIOD

On 3 July 2020, the Group received a notice from each of the put option holders on their exercise of the put options requiring the Group to acquire from them 10% share interests in Great Giant Investment Limited ("Great Giant") and Lucky Lead Limited ("Lucky Lead") (indirect owners of a property development project in Tianjin) at the option prices (the "Option Prices") in accordance with the terms of the agreements dated 12 December 2011 entered into between the Group and these option grantors (the "Agreements"). Pursuant to the terms of the Agreements, the Option Prices have been determined as approximately RMB35.8 million (HK$39.6 million) and completion of the transactions took place on 21 August 2020, following which Great Giant and Lucky Lead have become the indirect wholly-owned subsidiaries of the Company. The difference between the carrying amount of the put options as at 30 June 2020 included in other financial liabilities and the Option Prices, of approximately RMB11.5 million (HK$12.6 million), would be recognised as expense in the profit or loss upon completion. Details of the transactions are set out in the announcements of the Company dated 6 July 2020 and 21 August 2020.

DISCLOSURE UNDER RULES 13.20 AND 13.21 OF THE LISTING RULES

For the six months ended 30 June 2020

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$1,717 million at 30 June 2020, which comprises:

	HK$ million
Receivables	488
Guarantees	1,229
	1,717

The receivables are unsecured, repayable on demand and out of the total outstanding balance, an amount of HK$131 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 10(c) and 17(a) to the condensed consolidated financial statements.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 23 January 2020, a written agreement (the “Indenture”) was entered into between the Company as issuer and Citicorp International Limited as trustee, pursuant to which the US$180 million 6.25% senior notes due 2022 (the “Notes”) were issued. The Indentures provide 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 announcement of the Company dated 23 January 2020 for details of 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$2,641 million at 30 June 2020.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At 30 June 2020, 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
Name of Director	**Personal interests**	**Family interests**	**Other interests**	**Total**	**issued shares** (Note 1)
Mr. Lo Hong Sui, Vincent ("Mr. Lo")	–	312,000 (Note 2)	234,381,000 (Note 3)	234,693,000	62.68
Ms. Lo Bo Yue, Stephanie ("Ms. Lo")	–	–	234,381,000 (Note 3)	234,381,000	62.60

Notes:

1. Based on 374,396,164 shares of the Company in issue at 30 June 2020.
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.

(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				Approximate percentage of issued shares (Note 1)
		Personal Interests	Family interests	Other interests	Total	
Mr. Lo	Shui On Land Limited ("SOL")	–	1,849,521 (Note 2)	4,461,835,751 (Note 3)	4,463,685,272	55.36
Ms. Lo	SOL	437,000 (Note 4)	–	4,461,835,751 (Note 3)	4,462,272,751	55.34

Notes:

1. Based on 8,062,216,324 shares of SOL in issue at 30 June 2020.
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 4,461,835,751 shares mentioned in Note 3 below.
3. These shares were held by SOCL through its controlled corporations, comprising 2,672,990,325 shares, 1,725,493,996 shares, 33,503,493 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") and New Rainbow Investments Limited ("NRI") respectively, whereas SOI, SOP and Chester International 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 62.60%. 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 ("SODH")	Trust interests (Note 1)	RMB50,000,000
		Trust interests (Note 1)	US$6,000,000
		Trust interests (Note 1)	US$17,800,000
		Trust interests (Note 1)	US$5,000,000
		Family interests (Note 2)	RMB35,500,000
		Family interests (Note 2)	US$2,000,000
Ms. Lo	SODH	Trust interests (Note 1)	RMB50,000,000
		Trust interests (Note 1)	US$6,000,000
		Trust interests (Note 1)	US$17,800,000
		Trust interests (Note 1)	US$5,000,000

Notes:

1. These represent the interests in the debentures held by SOI and/or Boswell Limited ("Boswell") and/or Doreturn Limited ("Doreturn"). SOI, Boswell and Doreturn 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 2020, 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 2020, 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)	62.68
SOCL	Beneficial owner and interest of controlled corporation	234,381,000 (Notes 3 & 4)	62.60
HSBC Trustee	Trustee	234,381,000 (Notes 3 & 4)	62.60
Bosrich	Trustee	234,381,000 (Notes 3 & 4)	62.60

Notes:

1. Based on 374,396,164 shares of the Company in issue at 30 June 2020.
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.

Save as disclosed above, at 30 June 2020, 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	Number of shares subject to options						Period during which the options are exercisable
			At 1.1.2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	At 30.6.2020	
		HK$							(Note)
Employees	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 under the Existing Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The US$280 million 6.25% senior notes issued by the Company in 2017 matured on 8 May 2020, and the Company has fully repaid the US$173.215 million outstanding principal amount of the senior notes on the maturity date.

During the six months ended 30 June 2020, out of the aggregate principal amount of US$180 million 6.25% senior notes due 2022 issued by the Company in January 2020, the Company repurchased on the Stock Exchange a total of US$4.0 million principal amount of the senior notes for an aggregate consideration of US$3.7 million. The repurchased notes were not cancelled by the Company.

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 2020.

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 2020, 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 the bank loan and bond 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 2020, 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.

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 standards set out in the Model Code throughout the six months ended 30 June 2020.

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 2019 Annual Report are set out as follows:

Name of Director	Details of changes
Mr. Lo Hong Sui, Vincent	• Stepped down as the Chairman of China Central Properties Limited
Mr. Chan Kay Cheung	• Ceased as a member of The China UnionPay International Advisory Group
Mr. William Timothy Addison	• Service contract for serving as an Independent Non-executive Director of the Company renewed for a term of two years commencing from 25 May 2020

Details about the emoluments of the Directors of the Company for the six months ended 30 June 2020 are set out in note 18 to the condensed consolidated financial statements.

CORPORATE INFORMATION

BOARD

Executive Directors

Mr. Lo Hong Sui, Vincent *(Chairman)*
Mr. Lee Chun Kong, Freddy
(Chief Executive 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. Lee Chun Kong, Freddy *(Chairman)*
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. William Timothy Addison

INVESTMENT COMMITTEE

Mr. Lee Chun Kong, Freddy *(Chairman)*
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. William Timothy Addison

EXECUTIVE COMMITTEE

Mr. Lee Chun Kong, Freddy *(Chairman)*
Mr. Lo Hong Sui, Vincent
Other key executives

COMPANY SECRETARY

Ms. Chan Yeuk Ho, Karen

AUDITOR

Deloitte Touche Tohmatsu
(Registered Public Interest Entity Auditor)

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

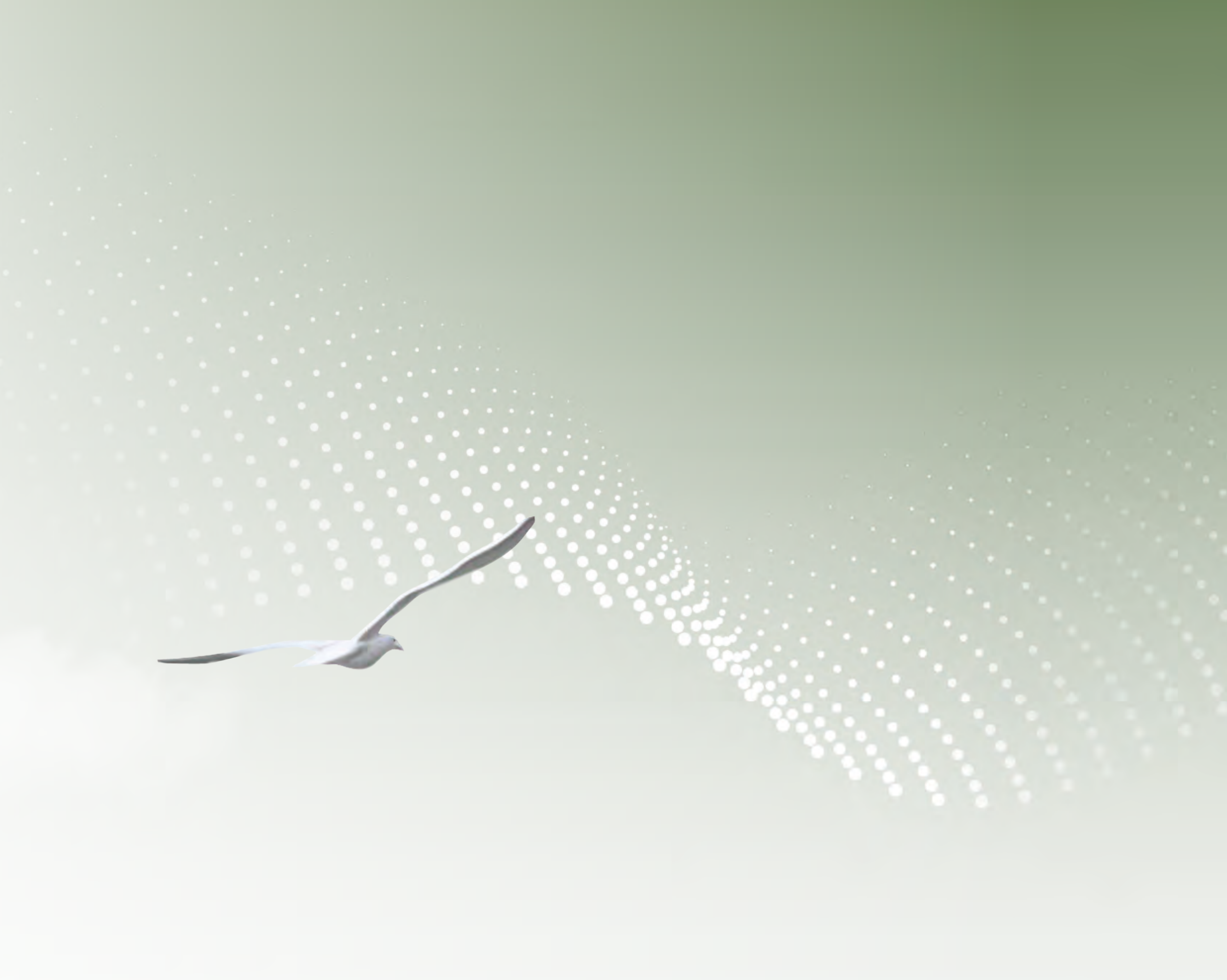
BNP Paribas
China CITIC Bank International Limited
Hang Seng Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODES

Shares: 983
Senior Notes: 40137

WEBSITE

www.socam.com



SOCAM DEVELOPMENT LIMITED

瑞安建業有限公司

(Incorporated in Bermuda with limited liability)

（於百慕達註冊成立的有限公司）

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