瑞安建業
SOCAM DEVELOPMENT

瑞安建業有限公司*
SOCAM Development Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 983)

INTERIM RESULTS for the six months ended 30 June 2012

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2012	2011
Turnover	**HK$2,650 million**	HK$2,717 million
(Loss) profit attributable to shareholders	**(HK$175 million)**	HK$460 million
Basic (loss) earnings per share	**(HK$0.36)**	HK$0.94
Interim dividend per share	**–**	HK$0.25

	At 30 June 2012	At 31 December 2011
Total assets	**HK$22.8 billion**	HK$22.2 billion
Net assets	**HK$9.7 billion**	HK$10.0 billion
Net asset value per share	**HK$19.79**	HK$20.43
Net gearing	**48.8%**	50.5%

RESULTS

The Board of Directors (the “Board”) of SOCAM Development Limited (the “Company” or “SOCAM”) presents the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June **2012** **HK$ million** **(unaudited)**	 2011 HK$ million (re-presented) (unaudited)
Continuing operations			
Turnover			
The Company and its subsidiaries		**2,650**	2,717
Share of jointly controlled entities/associates		**148**	170
		2,798	2,887
Group turnover	2	**2,650**	2,717
Other income		**53**	125
Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold		**(149)**	(565)
Raw materials and consumables used		**(325)**	(303)
Staff costs		**(300)**	(297)
Depreciation and amortisation expenses		**(12)**	(11)
Subcontracting, external labour costs and other expenses		**(1,935)**	(1,504)
Fair value changes on investment properties		**77**	8
Dividend income from available-for-sale investments		**14**	7
Finance costs		**(145)**	(116)
Gain on disposal of a subsidiary		**–**	337
Share of results of jointly controlled entities		**(39)**	31
Share of results of associates		**(10)**	43
(Loss) profit before taxation		**(121)**	472
Taxation	3	**(44)**	(11)
(Loss) profit for the period from continuing operations		**(165)**	461
Discontinued operations			
Profit for the period from discontinued operations	4	**4**	7
(Loss) profit for the period		**(161)**	468
Attributable to:			
Owners of the Company		**(175)**	460
Non-controlling interests		**14**	8
		(161)	468
(Loss) earnings per share	6		
From continuing and discontinued operations			
Basic		**(HK$0.36)**	HK$0.94
Diluted		**(HK$0.36)**	HK$0.94
From continuing operations			
Basic		**(HK$0.37)**	HK$0.93
Diluted		**(HK$0.37)**	HK$0.93

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	HK$ million	HK$ million
	(unaudited)	(unaudited)
(Loss) profit for the period	**(161)**	468
Other comprehensive income (expense)		
Gain (loss) on fair value changes of available-for-sale investments	**108**	(45)
Exchange differences arising on translation of financial statements of foreign operations	**(59)**	148
Share of exchange differences of jointly controlled entities	**(1)**	100
Share of exchange differences of associates	**(2)**	9
Reclassification adjustments for amounts transferred to profit or loss:		
– upon disposal of a subsidiary	**–**	(2)
– upon disposal of property inventories, net of deferred tax of nil (2011: HK$2 million)	**(2)**	(10)
Other comprehensive income for the period	**44**	200
Total comprehensive (expense) income for the period	**(117)**	668
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(131)**	660
Non-controlling interests	**14**	8
	(117)	668

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2012** **HK$ million** **(unaudited)**	31 December 2011 HK$ million (audited)
Non-current Assets			
Investment properties		**3,718**	3,609
Property, plant and equipment		**68**	77
Prepaid lease payments		**44**	44
Interests in jointly controlled entities		**442**	4,562
Available-for-sale investments		**432**	324
Interests in associates		**481**	495
Club memberships		**1**	1
Amounts due from jointly controlled entities		**1,706**	1,162
Amounts due from associates		**839**	828
Restricted bank deposits		**–**	185
		7,731	11,287
Current Assets			
Inventories		**53**	21
Prepaid lease payments		**1**	1
Properties held for sale		**310**	428
Properties under development for sale		**4,359**	3,641
Debtors, deposits and prepayments	7	**1,343**	1,557
Amounts due from customers for contract work		**319**	323
Amounts due from jointly controlled entities		**533**	995
Amounts due from associates		**240**	313
Amounts due from related companies		**257**	241
Taxation recoverable		**49**	12
Restricted bank deposits		**893**	910
Bank balances, deposits and cash			
– Cash and cash equivalents		**1,970**	2,410
– Other bank balances		**596**	–
		10,923	10,852
Assets classified as held for sale		**4,152**	92
		15,075	10,944
Current Liabilities			
Creditors and accrued charges	8	**2,123**	1,803
Sales deposits received		**1,335**	721
Amounts due to customers for contract work		**205**	186
Amounts due to jointly controlled entities		**389**	45
Amounts due to related companies		**29**	–
Amounts due to non-controlling shareholders of subsidiaries		**2**	11
Taxation payable		**65**	117
Bank borrowings due within one year		**5,001**	6,134
		9,149	9,017
Net Current Assets		**5,926**	1,927
Total Assets Less Current Liabilities		**13,657**	13,214
Capital and Reserves			
Share capital		**490**	490
Reserves		**9,203**	9,512
Equity attributable to owners of the Company		**9,693**	10,002
Non-controlling interests		**63**	66
		9,756	10,068
Non-current Liabilities			
Bank borrowings		**3,186**	2,427
Defined benefit liabilities		**90**	90
Other payables		**182**	202
Deferred tax liabilities		**443**	427
		3,901	3,146
		13,657	13,214

Notes:

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values. The fair value of the Group's investment properties at 30 June 2012 and 31 December 2011 has been arrived at on the basis of valuations carried out on that date by an independent qualified professional valuer.

The accounting policies and methods of computation used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011. Jointly controlled entities and associates of the Group adopt uniform accounting policies for like transactions and events in similar circumstances as those of the Group. In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are effective for the Group's financial period beginning on 1 January 2012. As a result of the application of the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", the Directors of the Company reviewed the Group's portfolio of investment properties, which is located in the People's Republic of China ("PRC"), and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is rebutted. Therefore, deferred taxation in relation to the investment properties continues to be measured based on the tax consequences of recovering through use. Hence the application of the amendments to HKAS 12 and other HKFRSs has had no material effect on the amounts reported and disclosures set out in the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the new and revised standards, amendments or interpretation that have been issued but are not yet effective.

The Directors of the Company anticipate that the application of these new and revised standards, amendments or interpretation will have no material impact on the results and financial position of the Group.

2. Segment information

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

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

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

2. Construction and building maintenance – construction, interior fit-out, renovation and maintenance of building premises, sales of building materials and provision of related consultancy services

3. Other businesses – venture capital investment, cement operations not through Lafarge Shui On Cement Limited ("LSOC") and others

The cement operations through LSOC were classified as discontinued operations in the current period. The segment information reported in this note 2 does not include any amounts for the discontinued operations in the current and prior periods, which are described in detail in note 4. The cement operations not through LSOC are now included under the "Other businesses" operating segment. Accordingly, segment information for prior period has been re-presented.

2. Segment information (continued)

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

For the six months ended 30 June 2012

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
Revenue				
Sales of goods	**151**	**32**	**–**	**183**
Rental income	**26**	**–**	**–**	**26**
Revenue from rendering of services	**41**	**16**	**1**	**58**
Construction contract revenue	**–**	**2,383**	**–**	**2,383**
Revenue from external customers	**218**	**2,431**	**1**	**2,650**
Inter-segment revenue	**–**	**169**	**–**	**169**
	218	**2,600**	**1**	**2,819**
Share of jointly controlled entities/associates' revenue	**105**	**1**	**42**	**148**
Total segment revenue	**323**	**2,601**	**43**	**2,967**

Inter-segment revenue is charged at mutually agreed prices.

	Property	Construction and building maintenance	Other businesses	Total
Reportable segment results	**15**	**71**	**(11)**	**75**
Unallocated items:				
Other income				**5**
Interest on bank loans and overdrafts and other borrowings costs				**(145)**
Other corporate expenses				**(56)**
Consolidated loss before taxation from continuing operations				**(121)**
Segment results have been arrived at after crediting (charging):				
Cost of properties sold	**(127)**	**–**	**–**	**(127)**
Depreciation and amortisation	**(9)**	**(2)**	**–**	**(11)**
Interest income	**19**	**2**	**2**	**23**
Imputed interest income on loans to jointly controlled entities/associates	**14**	**–**	**–**	**14**
Fair value changes on investment properties	**77**	**–**	**–**	**77**
Dividend income from available-for-sale investments	**14**	**–**	**–**	**14**
Share of results of jointly controlled entities				
Cement operations in Guizhou	**–**	**–**	**(2)**	**(2)**
Venture capital investments	**–**	**–**	**(6)**	**(6)**
Property development	**(33)**	**–**	**–**	**(33)**
Imputed interest expense	**(3)**	**–**	**–**	**(3)**
Others	**–**	**5**	**–**	**5**
				(39)
Share of results of associates				
Property development	**1**	**–**	**–**	**1**
Imputed interest expense	**(11)**	**–**	**–**	**(11)**
				(10)

2. Segment information (continued)

For the six months ended 30 June 2011 (re-presented)

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
Revenue				
Sales of goods	670	–	–	670
Rental income	21	–	–	21
Revenue from rendering of services	40	–	1	41
Construction contract revenue	–	1,985	–	1,985
Revenue from external customers	731	1,985	1	2,717
Inter-segment revenue	–	48	–	48
	731	2,033	1	2,765
Share of jointly controlled entities' revenue	79	2	89	170
Total segment revenue	810	2,035	90	2,935

Inter-segment revenue is charged at mutually agreed prices.

	Property	Construction and building maintenance	Other businesses	Total
Reportable segment results	521	54	68	643
Unallocated items:				
Other income				2
Interest on bank loans and overdrafts and other borrowings costs				(116)
Other corporate expenses				(57)
Consolidated profit before taxation from continuing operations				472
Segment results have been arrived at after crediting (charging):				
Cost of properties sold	(552)	–	–	(552)
Depreciation and amortisation	(8)	(2)	(1)	(11)
Interest income	31	1	1	33
Imputed interest income on loans to jointly controlled entities/associates	37	–	–	37
Fair value changes on investment properties	8	–	–	8
Dividend income from available-for-sale investments	7	–	–	7
Reversal of impairment loss recognised in respect of interests in jointly controlled entities	–	–	31	31
Gain on disposal of a subsidiary	337	–	–	337
Share of results of jointly controlled entities				
Cement operations in Guizhou	–	–	11	11
Venture capital investments	–	–	15	15
Property development	33	–	–	33
Imputed interest expense	(27)	–	–	(27)
Others	–	(1)	–	(1)
				31
Share of results of associates				
Property development	53	–	–	53
Imputed interest expense	(10)	–	–	(10)
				43

3. Taxation

	Six months ended 30 June	
	2012	2011
	HK$ million	HK$ million
Continuing operations		
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**7**	10
PRC Enterprise Income Tax	**17**	12
PRC Land Appreciation Tax	**4**	8
	28	30
Deferred taxation	**16**	(19)
	44	11

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax is calculated at 25% (2011: 25%) on the estimated assessable profits for the period.

PRC Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including amortisation of land use rights, borrowing costs, business taxes and all property development expenditure. The tax is incurred upon transfer of property ownership.

4. Discontinued operations

Pursuant to the Group's strategic decision to divest its 45% interest in LSOC and to concentrate business resources and asset deployment in the property business, the Group has initiated an active programme to locate buyers and negotiations with certain potential buyers are ongoing. The Group expects to complete the sale by end of 2012. Therefore, the Group's interests in LSOC, amounting to HK$4,060 million at 30 June 2012, has been accounted for as "Assets classified as held for sale" in the condensed consolidated statement of financial position at 30 June 2012. In addition, the Group's cement operations through LSOC have been classified as discontinued operations with effect from January 2012. The prior period figures have been re-presented for conformity with current period presentation.

Profit for the period from discontinued operations attributable to owners of the Company is HK$4 million (2011: HK$7 million), which include other income of HK$4 million (2011: HK$4 million) and share of results of jointly controlled entities of nil (2011: HK$3 million).

5. Dividends

The Board does not recommend the payment of an interim dividend (2011: HK$0.25 per share) for the six months ended 30 June 2012.

	Six months ended 30 June	
	2012	2011
	HK$ million	HK$ million
Final dividend recognised as distribution during the period (note)	**196**	196
Interim dividend declared in respect of 2011 at HK$0.25 per share	**–**	122

Note: On 3 July 2012, a dividend of HK$0.40 per share (2011: HK$0.40 per share) was paid to shareholders as the final dividend for the year ended 31 December 2011.

6. (Loss) earnings per share

From continuing and discontinued operations

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	
	2012	2011
	HK$ million	HK$ million
		(re-presented)
(Loss) earnings:		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	**(175)**	460
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**490**	489
Effect of dilutive potential ordinary shares: Share options	**–**	1
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**490**	490

The computation of the diluted loss per share for the six months ended 30 June 2012 does not assume the exercise of the Company's share options, because this would result in a decrease in the loss per share.

The computation of the diluted earnings per share for the six months ended 30 June 2011 did not assume the exercise of certain parts 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.

From continuing operations

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

	Six months ended 30 June	
	2012	2011
	HK$ million	HK$ million
(Loss) earnings:		
(Loss) profit for the period attributable to the owners of the Company	**(175)**	460
Less: Profit for the period from discontinued operations	**(4)**	(7)
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share from continuing operations	**(179)**	453

From discontinued operations

Basic and diluted earnings per share for the discontinued operations is HK$0.01 per share (2011: HK$0.01 per share), based on the profit for the period from the discontinued operations of HK$4 million (2011: HK$7 million) and the denominators detailed above for both basic and diluted (loss) earnings per share.

7. Debtors, deposits and prepayments

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

Included in debtors, deposits and prepayments are debtors with an aged analysis (based on invoice date) at the end of the reporting period as follows:

	30 June 2012 HK$ million	31 December 2011 HK$ million
Trade debtors aged analysis:		
Not yet due or within 90 days	**735**	753
91 days to 180 days	**109**	85
181 days to 360 days	**9**	6
Over 360 days	**10**	15
	863	859
Less: amounts classified as amounts due from jointly controlled entities, associates and related companies	**(417)**	(240)
Retention receivable	**171**	160
Consideration receivables in respect of disposal of a subsidiary/ jointly controlled entity	**20**	90
Deposit for acquisition of property projects	**43**	51
Prepayments, deposits and other receivables (note)	**663**	637
	1,343	1,557

Note: Included in prepayments, deposits and other receivables at 30 June 2012 are receivables of HK$326 million (2011: HK$314 million) due from China Central Properties Limited's former subsidiaries (the "Debtor"), which hold a property interest in the PRC and were disposed of in 2008. The amounts are repayable on demand and out of the total outstanding balance, an amount of HK$147 million (31 December 2011: HK$148 million) carries interest at prevailing market rates. In December 2011, a court in the PRC issued a notice to attach the aforesaid property interest for two years until December 2013 to cause the Debtor to settle part of the outstanding receivable in the amount of RMB120 million (approximately HK$147 million) and its related interests. In addition to these receivables, the Company has provided a guarantee in relation to a loan granted to the Debtor (see note 9(e)). In the opinion of the Directors of the Company, these receivables will be fully settled and the guarantee provided by the Company will be released either after completion of the transfer of the legal title to the aforesaid property interest to the Debtor or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

8. Creditors and accrued charges

The aged analysis of creditors (based on invoice date) of HK$576 million (2011: HK$682 million), which are included in the Group's creditors and accrued charges, is as follows:

	30 June 2012 HK$ million	31 December 2011 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**435**	550
31 days to 90 days	**47**	55
91 days to 180 days	**46**	14
Over 180 days	**48**	63
	576	682
Retention payable	**274**	305
Consideration payable in respect of acquisition of subsidiaries (note)	**347**	335
Provision for contract work	**439**	283
Dividend payable	**196**	–
Other accruals and payables	**473**	400
	2,305	2,005
Less: amounts due for settlement after 12 months	**(182)**	(202)
	2,123	1,803

Note: The amounts represent the outstanding considerations in respect of the acquisition of a subsidiary during the period ended 30 June 2012 and the remaining 20% equity interest in a jointly controlled entity during the year ended 31 December 2011. Out of the total outstanding considerations, a total of HK$165 million (31 December 2011: HK$133 million) will be settled within one year and the remaining balance will be settled in 2 to 3 years, from the end of the reporting period.

9. Contingent liabilities

At 30 June 2012, the Group had the following contingent liabilities, which have not been provided for in the condensed consolidated financial statements:

(a) Standby documentary credit arranged with a bank amounting to HK$145 million (31 December 2011: RMB117 million (HK$144 million)) to secure a bank loan granted to a subsidiary of an associate.

(b) Guarantees issued in favour of banks amounting to RMB138 million (HK$169 million) (31 December 2011: RMB87 million (HK$107 million)) in respect of mortgage facilities granted by the banks to the buyers of the Group's property inventories.

(c) Effective share of guarantees issued in favour of banks amounting to HK$829 million (31 December 2011: HK$805 million) to secure bank loans granted to certain jointly controlled entities.

(d) Effective share of a guarantee issued in favour of a joint venture (the "Joint Venture", which was formed between an associate and an independent third party (the "Joint Venture Partner")) and the Joint Venture Partner for an amount not exceeding RMB110 million (HK$135 million) (31 December 2011: RMB110 million (HK$136 million)) in respect of certain of the Group's payment obligations to the Joint Venture and the Joint Venture Partner.

(e) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of China Central Properties Limited ("CCP") at that time (the "Former Subsidiary"). Subsequently, the Former Subsidiary was sold by CCP in 2008, but the Company remained as the guarantor for the bank loan following the disposal (see note 7 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, whereby the New Lender agreed not to demand fulfillment of the Company's obligations under the Guarantee initially for one year, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$665 million) at 30 June 2012 (31 December 2011: RMB542 million (HK$669 million)) is 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 after taking into consideration the possibility of the default of the parties involved. Accordingly, no value has been recognised in the condensed consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

The Group's turnover was HK$2,650 million for the six months ended 30 June 2012, a 2% decrease from the interim period of 2011. Consolidated loss after taxation and non-controlling interests was HK$175 million, as compared with a profit of HK$460 million for the same period last year. An analysis of the results is set out in the Financial Review section below.

INTERIM DIVIDEND

In view of the fact that the Group recorded a loss for the current interim period, the Board has resolved not to declare an interim dividend (2011: HK$0.25 per share).

MARKET OVERVIEW

The sovereign debt crisis continued to plague a number of Eurozone nations in the first half of 2012. The different agenda of the stronger nations and those weaker economies with financial difficulties render it unlikely that a feasible solution can be secured in the near future, not to mention a possibility of the crisis worsening. There are however signs of stronger support from the European Central Bank to the most fragile economies.

Meanwhile, the path to recovery in the United States is by no means steady and conflicting economic data pointing to the targeted growth still came up from time to time. The US government is doing all it can in the election year to ensure that economic growth can pick up slightly in the second half of 2012, delivering a 2.3% GDP increase for the year. Further easing of liquidity therefore remains a distinct possibility.

With waning growth and high unemployment rates in these two large economic zones, global economic activities inevitably remained subdued.

Compared with the western world, the economic outlook of the developing nations and the rest of the world is more encouraging. In particular, China's economy has shown to be relatively resilient as the Central Government continued to implement a proactive fiscal policy and a prudent monetary policy. The country is however not without looming problems. A GDP growth expectation of 7.5% in 2012, the lowest increase since 2004, suggests that the pace of economic expansion is moderating, largely because of a contraction in demand from China's principal export markets, slowdown in fixed assets investment in the domestic economy, as well as the tight liquidity under the austerity measures in the past two years.

To avoid further slowdown in the Mainland economy, earlier this year, the banks' reserve requirement ratios were lowered for the second time in three months and interest rates were also reduced twice in less than a month.

Retail sales in China continue to record double digit growth annually. According to the National Bureau of Statistics, the growth of Chinese retail sales slowed marginally year-on-year in July 2012 to 13.1%, still indicative of the strong spending power of the middle class. In June 2012, home prices in China also reversed after nine months of consecutive decline, giving the first sign of a return of market confidence.

BUSINESS REVIEW

Against a backdrop of slowing Mainland growth, SOCAM is coping with the difficult market conditions. The Group's turnover was HK$2,650 million for the six months ended 30 June 2012, a 2% decrease compared to the interim period of 2011. Consolidated loss after taxation and non-controlling interests was HK$175 million, as compared with a profit of HK$460 million for the same period last year. This interim results were presaged in an announcement issued by the Company in May, and are attributable to two key factors.

The first is that negotiations with certain potential buyers on the disposal of the Group's 45% interest in Lafarge Shui On Cement (LSOC) were still ongoing in the first half of 2012. The Group will press ahead with the divestment plan in a prudent manner, and remains optimistic that it can be taken place in the second half.

The second arises from the acquisition, development and delivery cycle of the Group's property interests in the Chinese Mainland that sees, in the first six months of the year, fewer properties being completed and delivered. Further, as with other Mainland property developers, SOCAM's marketing and sales activities were scaled back due to unfavourable market sentiment since last year.

Current indications suggest that the property sector in the Mainland will experience a mild, yet welcome, recovery in the second half of 2012, as evidenced by rises in transaction volumes and property prices in June, the first month-on-month increase this year. It is planned that the Group's major property projects in Beijing, Shanghai, Guangzhou and Shenyang will be progressively put up for sale in the second half of 2012. Already, the pre-sale launches of Beijing Centrium Residence and the branded residence in the Shanghai 21st Century Tower project have met with positive market response.

PROPERTY

Challenging market conditions in the property sector in the Mainland continued to prevail in the first half of 2012, as the Central Government's initiatives to cool the property sector introduced last year were carried forward into this year, resulting in a significant fall in transaction volume and a curb on the excessive upsurge in home prices. Yet China remains flexible and reacted quickly to market changes. Certain banks began to offer discounts on mortgage rates for first-home buyers subsequent to the Central Bank's recent cuts in interest rates, which provided useful support to first-time buyers.

Reductions in banks' reserve requirement have also helped release liquidity and allowed banks to extend more loans. After the slight increase in home prices in June, their first reversal in nine months, more buoyant demand is expected in the second half of the year, a period which coincides with SOCAM's launching of sales campaigns on several major residential developments.

Special Situation Projects

At the core of the special situation model is the identification of high-potential projects and the ability to move quickly on their acquisition, for fast turn-around in development and subsequent sales at good returns.

SOCAM was an early mover in this niche market and has since built up a wealth of experience in the Mainland. This includes expertise in project acquisition, financial structuring, project management as well as sales and marketing.

SOCAM strives for very high standards and quality that prove attractive to both project partners and reputable international investors and, ultimately, to the market on delivery.

As of June 2012, SOCAM owned a diversified portfolio with a total developable gross floor area (GFA) of approximately 2.6 million square metres and an attributable GFA of 2.3 million square metres, spanning Beijing, Shanghai, Chongqing, Chengdu, Guangzhou, Tianjin, Guizhou and Shenyang.

The Group's total attributable developable GFA of special situation projects at 30 June 2012 is summarised below:

Location	Project	Total developable GFA attributable to the Group (square metres)	Property type	Estimated completion year	SOCAM's interest
Beijing	Centrium Residence	30,300	Residential	2012	52.5%
Chengdu	Centropolitan (Formerly "Orient Home")	240,800	Composite	2015	51%
Chongqing	Creative Concepts Center	34,600*	Commercial	Completed	100%
Guangzhou	Parc Oasis	112,000	Residential	2012	100%
	Panyu Project	108,800	Composite	2016	100%
Guizhou	Zunyi Project	780,700	Residential and retail	2018	100%
Shanghai	Lakeville Regency Tower 18	22,200	Residential	Completed	100%
	21st Century Tower	41,900	Branded residence and hotel	2012	70%
Shenyang	Shenyang Project Phase I	199,000*	Composite	2012	100%
	Shenyang Project Phase II	653,900	Composite	2016	100%
Tianjin	Wuqing Project	52,000	Residential and retail	2014	45%
Total		2,276,200			

* The GFA shown above has excluded sold areas

Property Sales and Leasing

The steady downward drift in home prices over the first half of 2012, as a result of a comparative stalling in China's economic growth and the bearish financial markets worldwide, caused SOCAM to make prudent adjustments to overall development progress. Given the significant decrease in volume of newly completed properties and the continuing impact of austerity measures on the property sector, the Group revised some of its sales targets. SOCAM's pre-sale activities in the first half of 2012 focused mainly on the apartment units in Beijing Centrium Residence, Shanghai 21st Century Tower, Guangzhou Parc Oasis and Shenyang Project Phase I. All are on schedule for completion and available for delivery in the second half of 2012.

In Beijing, superstructure works of Centrium Residence, located in the Chaoyang District, were completed and pre-sale permits were issued in late 2011. While external and interior fit-outs were in progress in the first half of 2012, a high-zone show flat was open to the public in late March. SOCAM launched the pre-sale of Centrium Residence in December 2011 and the first batch of close to 140 units was offered for sale; 110 of them were subscribed for at the date of this report.

In Shanghai, the Group acquired the 26th to 49th floors of 21st Century Tower in Lujiazui, Pudong in December 2010, to be developed into a deluxe hotel and branded residence. This first branded residence project of SOCAM, Four Seasons Place, situated next to the Park Hyatt Hotel, offers 73 luxurious serviced apartments commanding spectacular views of the Pudong area. Managed by the Four Seasons Hotels and Resorts Group, it is due for completion in the second half of 2012. The first batch of branded residences will be launched for pre-sale in August, and the grand opening of Four Seasons Hotel is scheduled for the fourth quarter.

All four towers of Parc Oasis, a sought-after residential development in the upmarket North Tianhe area in Guangzhou, were topped out in late 2011 as planned. Over 95% of the bare-shell units in the serviced apartment tower offered in the pre-sale launch in March 2012 was sold over one weekend. Residential units began sales activity in March 2011, and approximately 40% of the units was signed up by June 2012.

Shenyang Project Phase I comprises upscale residential units, serviced apartments, grade A offices and a shopping mall. Over 70% of the residential GFA was sold and progressively delivered to buyers as construction work was completed. The opening of the mall is scheduled in the second half of 2012, while leasing activities have progressed smoothly with around 50% of the retail space having been taken up. In August, an agreement for the en-bloc sale of an office tower of this project was entered into with the Ping An Insurance Group, which had previously bought our completed office tower in central Chengdu.

To boost sales in the second half of the year, the Group has recently stepped up a number of marketing initiatives. An exclusive sales event was organised in June in Hong Kong to introduce the Four Seasons Place and Beijing Centrium Residence to affluent potential buyers. Another exhibition was also held in Hangzhou, Zhejiang to promote the brand of Four Seasons Place and broaden its customer base.

SOCAM has been selectively replenishing its property portfolio in the Mainland and is working with SoTan, a private equity vehicle for investing in special situation projects, to identify suitable new opportunities. In January, the Group completed the acquisition of the Wuqing Project in Tianjin, which is situated at a prime location close to the Wuqing station of the Beijing Tianjin Intercity Railway. SOCAM will jointly develop this project with SoTan on a 50-50 basis. Planning for this project, together with two other newly acquired projects in Zunyi, Guizhou and Panyu, Guangzhou, is underway. Construction will commence once approvals and permits from the relevant government authorities are obtained.

The Group will further leverage its successful niche market track record to attract prestigious partners to enter into joint ventures with us in developing our property business, thus widening the investor base on which SOCAM can further strengthen its property development in the years ahead.

Knowledge Communities

China continues to make notable progress in promoting more balanced economic growth, witnessing sector expansion in areas such as software development, communications technology and health care. Such high value-added industries often seek the cluster community benefits that can be generated from operating in specifically designed knowledge communities which provide a first-class, eco-friendly environment built around a “work, live, learn, play” model, a concept pioneered by the Shui On Group.

Dalian Tiandi

Dalian Tiandi is situated at the midpoint of Dalian’s South Lvshun Road Software Industry Belt. It extends across a 12.5 km range of planned parkland with mid- and low-rise development boasting a total GFA of 3.4 million square metres upon completion, and which will be surrounded by spacious outdoor recreation, educational campuses, environmental facilities and public amenities.

The project is jointly developed by Shui On Land, SOCAM and Yida, in which SOCAM has a 22% interest. Construction progressed according to the master development plan. At 30 June 2012, a total GFA of 312,000 square metres has been developed, and the GFA under construction totaled 307,000 square metres, comprising residential premises for sale of 185,000 square metres and leasing properties of 122,000 square metres. Our success in branding, marketing and sales has attracted international and Asian corporations such as IBM, Chinasoft, and Ambow Education to this project. At the period end, the occupancy rate of leasable offices achieved 75%.

Sales of townhouses and apartments in the Huang Ni Chuan area are progressing well. The retail complex in IT Tiandi in the Huang Ni Chuan zone is now completed and provides a wide range of first class shopping and food and beverage outlets for the growing number of residents, as phased project completion gathers pace.

CONSTRUCTION

The Hong Kong economy grew at the slowest pace in the first half of 2012 since the global financial crisis in 2008 as Eurozone debt woes undermined export demand, although the domestic sector continued to show strength on the back of low unemployment, strong tourist spending and increased public expenditure by the HKSAR Government.

The construction industry in Hong Kong continued to flourish through substantial public sector infrastructure works, while private residential building works remained steady.

During the first quarter of the year, the gross value of construction works performed at public sector and private sector sites increased by 17% and 41% respectively, year-on-year.

The HKSAR Government has placed increasing importance on meeting the housing needs in Hong Kong. It is the policy of the new government to accelerate public rental housing programmes and resume the Home Ownership Scheme and other initiatives to promote affordable housing and increase land supply. This is additional to the building of 75,000 public rental housing flats in the five years from 2012 under the current public housing programme. Capitalising on SOCAM's solid track record in government housing projects, our construction operations are well poised to capture the greater number of opportunities ahead.

Operating Performance

The Group's construction business recorded a 31% increase in profit to HK$71 million during the first half of the year, despite rising building materials and labour costs. Turnover for the period was HK$2,431 million, representing a 22% increase compared with the corresponding period last year. New contracts totaling approximately HK$4.0 billion were secured.

At 30 June 2012, the gross value of contracts on hand was approximately HK$13.3 billion and the value of outstanding contracts to be completed was approximately HK$6.5 billion, compared with approximately HK$13.7 billion and HK$6.0 billion respectively at 31 December 2011.

Shui On Construction (SOC) was awarded a contract for the design and construction of West Kowloon Law Courts Building at Sham Shui Po, valued at approximately HK$2.2 billion, from the Hong Kong Architectural Services Department (ASD). During the period, SOC made good progress on the HK$1 billion contract for construction of the Town Park and Indoor Velodrome-cum Sports Centre, and completed the contract for the design and construction of staff quarters for the Hong Kong Immigration Department in Kwai Chung, both from the ASD.

Major projects completed by Shui On Building Contractors (SOBC) during the period included Shek Kip Mei Estate Phase 5 for the Hong Kong Housing Authority (HKHA), two maintenance term contracts from the ASD for the design and construction of minor works on government and subvented properties, and two maintenance and refurbishment term contracts for HKHA's housing estates within designated districts.

SOBC and SOC continued to receive positive industry recognition for outstanding performance in building quality, site safety, environmental awareness and energy-saving construction. Of particular note, SOBC's construction project, redevelopment of Lam Tin Estate, was the Grand Award Winner under the Hong Kong Residential (Multiple Building) Category in Quality Building Award 2012. In May 2012, SOBC was among the first building contractors in Hong Kong to receive accreditation for ISO 50001 on energy management systems.

Shui On Construction, Mainland (SOCM) provided construction services for Chongqing Tiandi, Foshan Lingnan Tiandi, Wuhan Tiandi, Shanghai Rui Hong Xin Cheng and Dalian Tiandi projects of Shui On Land, and Shenyang Project Phase I, Guangzhou Parc Oasis and Shanghai 21st Century Tower projects of SOCAM during the period. SOCM completed the main construction contracts for lots A6 and A4-3 in Wuhan Tiandi, and secured approximately RMB840 million worth of new contracts, including construction works for Chengdu Centropolitan and Four Seasons Place in Shanghai.

During the period, Pat Davie completed fit-out and refurbishment works for The Link, Hongkong International Theme Parks and the Airport Authority in Hong Kong, and Hard Rock Hotel, Altira, Venetian and City of Dreams in Macau as well as conversion of an industrial building into office premises in Hong Kong.

Pat Davie secured a total of approximately HK$734 million worth of new contracts in Hong Kong and Macau. Major contracts include refurbishment of stables and grandstand at Sha Tin Racecourse of the Hong Kong Jockey Club and the renovation of two shopping centres of The Link in Hong Kong and two casino projects in Macau.

CEMENT

The cement industry in the Chinese Mainland has been operating in a difficult climate in the first half of 2012. Most of the cement suppliers have seen profit performance retreating over the first two quarters, with a number of prominent players issuing profit warnings, primarily due to a nationwide decrease in demand and prices resulting from tight liquidity under the austerity measures and the slowdown in fixed assets investment.

Under the shadow of revised economic growth targets, the progress and initiation of infrastructure construction projects slowed as, according to the National Bureau of Statistics of China, the growth rate of fixed assets investment fell by 5.2% in the first half of 2012, compared with the same period last year. Private sector property development, another major driver of cement demand, also reduced as property investment decreased by 16.3% in the six months to June 2012.

Cement prices in the Southwest were particularly depressed due to overcapacity and intense competition among producers. The region is feeling a cyclical backlash from being the fastest-growing regional market three years ago, with cement production having increased by some 31% year-on-year to October 2011 alone. The rushing of producers, big and small, to build new cement plants to cater for the anticipated substantial market demand after the massive 2008 earthquake in Sichuan, and the resulting surplus capacity afterwards is worsening the oversupply situation.

However, several factors point towards a more positive outlook. Firstly, China's anticipated 2012 cement output growth of 8% is partly absorbed by the construction of seven million public housing units that started during the year.

Secondly, in the long run, a more rational supply/demand situation will likely emerge, especially in the Southwest region, where consolidation and elimination of weaker players have gathered pace. New cement supply also continues on a downward curve. In 2010, nearly 300 million tonnes of new capacity (16% of total output) came onto market; in 2011, 136 million tonnes (7%); and in 2012, potentially only 90 million tonnes (5%). The emergence of new producers is fewer as the industry consolidates through acquisitions and mergers. Banks are also reluctant to support further spending in this sector under the direction of the Central Government. The top ten cement providers are likely to account for 35% of market share by 2015, compared to 25% today. Simultaneously, the phasing out of backward, energy-inefficient capacity has accelerated, with 250 million tonnes of outdated production capacity to be eliminated by 2015.

Lafarge Shui On Cement (LSOC)

LSOC, in which the Group holds a 45% interest, is a market leader in Southwest China with a major presence in Sichuan, Chongqing, Guizhou and Yunnan. Total annual production capacity stayed at approximately 31 million tonnes during the first half of 2012.

Operating Performance

Amid very difficult market conditions, LSOC posted disappointing results for the first six months. Total sales volume was approximately 12.7 million tonnes in this period, which was marginally higher than that of the previous interim period. Cement prices in all the operating areas of LSOC came under pressure primarily due to intensified competition from new capacities and sluggish market demand. The average selling price for this interim period decreased by approximately 7%, while variable costs increased by approximately 3% mainly due to higher fuel cost, as compared with the corresponding period last year.

Assets injection

LSOC has planned to inject all of its cement plants into Sichuan Shuangma Cement (Shuangma), a listed company on the Shenzhen Stock Exchange, over the next few years. On 18 July 2012, Shuangma received shareholders' approval for a private placement of shares to raise funds for the acquisition of the remaining 25% interest in the Dujiangyan plants of LSOC at a valuation of approximately RMB903 million. Relevant government approvals for the asset injection and share placement are being sought, and completion is expected to take place in the first half of 2013. Shareholders of Shuangma have also approved the issuance of bonds up to a total amount of RMB1.3 billion within the next two years for loans repayment, working capital and asset acquisitions.

Further injections of LSOC's cement assets in Guizhou, Yunnan and Chongqing into Shuangma will follow.

Divestment

Despite the more promising outlook for the cement business in Southwest China, SOCAM continues to press ahead with the strategic exit of its cement interests as part of our transformation strategy. Progress has been made in negotiations with interested buyers, as the Group proceeds with divestment plan in a prudent manner which aims at generating maximum benefit to our shareholders.

OUTLOOK

It is with confidence that we expect SOCAM will continue to weather the worldwide economic crisis. Your company is also likely to benefit from the selective and gradual relaxation of the tight monetary policy under the austerity measures which have been in force in the Mainland over the past two years.

SOCAM's four major property projects in Shanghai, Beijing, Guangzhou and Shenyang are approaching their completion stage in construction and pre-sale results have all been encouraging.

With these projects maturing and generating considerable amount of sales revenue as planned in the coming months, in addition to our continuous efforts to secure buyers for other quality assets in our portfolio, we are cautiously optimistic that the results for the whole year will be comparable to that of last year, despite the loss in the first half, which is in accordance with our expectation and budget, as the majority of our sales activities will take place in the second half.

Opportunities still abound in the niche market of special situation projects and our search for quality ones will continue. Meanwhile, the divestment of our cement interest in LSOC progressed well. Although the exact timing cannot be predicted, the exit of this investment on reasonable terms will benefit the Group in terms of cash and profit.

Prospects for our construction business look promising with the healthy order book on hand. The expected upsurge in public housing construction and revival of the HKSAR Government's Home Ownership Scheme, two areas which have always been the core competence of your company, will offer good business opportunities, albeit due caution will be exercised on rapid increases in labour and material costs.

We sincerely thank the extra effort and dedication of our loyal staff members in the challenging times during the period. Management will continue with their efforts, under the guidance of the Board, to realise the full potential of our businesses and assets for shareholders.

FINANCIAL REVIEW

FINANCIAL RESULTS

The Group's loss attributable to shareholders for the six months ended 30 June 2012 was HK$175 million on a turnover of HK$2,650 million, compared with HK$460 million profit and HK$2,717 million turnover recorded for the corresponding period last year.

An analysis of the total turnover is shown below:

	Six months ended 30 June 2012 HK$ million	Six months ended 30 June 2011 HK$ million (Re-presented)
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**2,431**	1,985
Property	**218**	731
Others	**1**	1
Total	**2,650**	2,717
Jointly controlled entities and associates		
Property	**105**	79
Cement and others	**43**	91
Total	**148**	170
Total	**2,798**	2,887

Turnover from construction and building maintenance works for the current interim period recorded a marked increase on the strength of a considerably expanded workload in Hong Kong and the Mainland, with a total of HK$6.0 billion new contracts secured in the second half of 2011 and the first half of 2012. However, revenue from the property business decreased substantially as sales and delivery of the apartment units of Beijing Centrium Residence, Shanghai Four Seasons Place and Guangzhou Parc Oasis for 2012, as planned, are mainly in the second half of the year. In 2011, the turnover mainly came from the en-bloc disposal of the Qianxinian Building in Chongqing and strata-title sales of office and residential units of Chongqing Creative Concepts Center and Shenyang Project Phase I.

Following the strategic decision of the Group to divest its 45% interest in LSOC, the Group's interest in LSOC was accounted for as "Assets classified as held for sale" with effect from 1 January 2012. In accordance with applicable accounting standards, the Group has discontinued to equity account for the results of this cement joint venture. Accordingly, the Group's 45% share of LSOC's loss for the current period, amounting to HK$173 million, has not been included in the Group's results for the period.

Dalian Tiandi, in which the Group has a 22% interest, began to recognise property sales income in 2011. The Group's share of the turnover for the current period increased to HK$105 million, from HK$79 million for the same period last year.

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

	Six months ended 30 June 2012 HK$ million	Six months ended 30 June 2011 HK$ million
Property		
Project fee income	**41**	40
Profit from property sales and net rental income	**28**	118
Gain on disposal of a subsidiary	**-**	337
Fair value gain on investment properties, net of deferred tax provision	**60**	6
Dalian Tiandi	**1**	53
Share of results of jointly controlled entities	**(33)**	33
Operating expenses	**(132)**	(107)
	(35)	480
Construction	**71**	54
Cement operations		
LSOC	**4**	7
Guizhou cement	**(2)**	7
Reversal of impairment losses	**-**	43
	2	57
Dividend income from Shui On Land (SOL)	**14**	7
Venture capital investments	**(6)**	15
Net finance costs	**(117)**	(81)
Corporate overheads and others	**(63)**	(55)
Taxation	**(27)**	(9)
Non-controlling interests	**(14)**	(8)
Total	**(175)**	460

Property

Property operations reported a net loss of HK$35 million in the first half of 2012. Project fee income from jointly controlled entities and associates for the current period was steady comparing to the same period in 2011.

The profit from property sales in both the current and last interim periods was mainly from the recognition of sales of the residential and office units of Chongqing Creative Concepts Center and Shenyang Project Phase I, which commenced handover of the units to buyers since late 2010 and early 2011 respectively. In the interim period in 2011, the profit from property sales also included the en-bloc disposal gain of the Qianxinian Building in Chongqing. Rental income continued to be derived from the Group's investment properties, Lakeville Regency Tower 18 in Shanghai and the retail portion of Chongqing Creative Concepts Center.

In June 2011, the Group disposed of its 49% equity interest in the Chengdu Centropolitan project for an aggregate consideration of RMB440 million (approximately HK$528 million) and recognised a net gain on disposal of a subsidiary of HK$337 million.

The valuation of the Group's investment properties, including both completed and those under development, at the period end, produced a net gain of HK$60 million, reflecting the enlarged investment property portfolio of the Group following the acquisition of the remaining 20% interest in Shenyang Project Phase II and the re-designation of the retail portion of Chongqing Creative Concepts Center from inventory in late 2011.

Dalian Tiandi's net profit for the current period, of which the Group has a 22% share, was substantially reduced by the sales and marketing expenses and exchange loss on foreign currency borrowings due to depreciation of Renminbi against Hong Kong dollars. In the previous interim period, the sales of residential villas produced higher profit as their profit margins were much higher than those of the mid/high-rise apartment sales recognised in the current period, and the marked appreciation of Renminbi gave rise to a meaningful amount of exchange gain.

Certain of the Group's property development projects, including Beijing Centrium Residence and Shanghai 21st Century Tower, are invested through jointly controlled entities. These projects incurred losses in the current interim period as they commenced sales and marketing activities for the pre-sale launches of apartment units this year, whereas they reported profit in the last interim period mainly because of the exchange gain on foreign currency borrowings arising from appreciation of Renminbi.

Construction

Construction business reported higher profit on increased turnover for this interim period. Average net profit margin increased slightly to 2.9% of turnover, from 2.7% for the corresponding period last year, despite upsurges in both material and labour costs.

Cement operations

As mentioned above, the Group no longer took up its share of the results of LSOC from 1 January 2012. The profit from LSOC in the current period represented advisory fee payable by LSOC to SOCAM.

The Group's interest in the cement plant in Liupanshui, Guizhou was disposed of at a consideration higher than its original investment cost in the second half of 2011, and this resulted in reversal in the last interim period of the HK$43 million impairment loss provisions made in previous years.

Venture capital investments

During the current period, there was no significant change in the fair value of the investments held by the venture capital funds in which the Group invested. In the last interim period, the net attributable profit of HK$15 million was largely a result of the valuation gain of the fund's interest in a manufacturer of biodegradable materials.

Net finance costs

Net finance costs increased to HK$117 million for the first half of 2012, from HK$81 million for the same period in 2011, mainly because of higher average net bank borrowings coupled with the increase in interest margins charged by banks upon renewal of the loan facilities granted to the Group.

ASSETS BASE

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

	30 June 2012 HK$ million	31 December 2011 HK$ million
Total assets	**22,806**	22,231
Net assets	**9,693**	10,002
	HK$	HK$
Net assets per share	**19.8**	20.4

The total assets of the Group increased marginally to HK$22.8 billion at 30 June 2012 from HK$22.2 billion at 31 December 2011, while both the net assets of the Group and net assets per share decreased slightly mainly because of the loss for this period.

An analysis of the total assets by business segments, which remained relatively stable, is set out below:

	30 June 2012 HK$ million	**%**	31 December 2011 HK$ million	%
Property	**14,624**	**64**	13,879	63
Cement	**4,618**	**20**	4,727	21
Construction	**1,904**	**8**	1,759	8
Investment in SOL shares	**432**	**2**	324	1
Others	**1,228**	**6**	1,542	7
Total	**22,806**	**100**	22,231	100

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company was HK$9,693 million on 30 June 2012, comparing with HK$10,002 million on 31 December 2011, which was mainly attributable to the HK$175 million loss for the period.

Net bank borrowings of the Group, which represented bank borrowings, net of bank balances, deposits and cash, amounted to HK$4,728 million on 30 June 2012. This compared with HK$5,056 million on 31 December 2011. The decrease in net bank borrowings during the period was largely due to the gradual receipt of sales proceeds from the property business of the Group. Sales deposits received increased to HK$1,335 million on 30 June 2012, from HK$721 million on 31 December 2011.

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

	30 June 2012 HK$ million	31 December 2011 HK$ million
Bank borrowings repayable:		
Within one year	**5,001**	6,134
After one year but within two years	**2,856**	2,131
After two years but within five years	**330**	296
Total bank borrowings	**8,187**	8,561
Bank balances, deposits and cash	**(3,459)**	(3,505)
Net bank borrowings	**4,728**	5,056

The short-term portion of bank borrowings, i.e. those repayable within one year, reduced from 72% of total bank borrowings on 31 December 2011 to 61% on 30 June 2012, after the successful renewal/refinancing of bank borrowings with tenors beyond the next twelve months.

The net gearing ratio of the Group, calculated as net bank borrowings over shareholders' equity, decreased to 49% at 30 June 2012, from 51% at 31 December 2011, mainly as a result of the decrease in net bank borrowings as explained above.

The Group will continue to seek longer term financings, which will match more closely with its assets portfolio. During the first half of 2012, the Group has renewed/refinanced approximately HK$2,360 million and HK$970 million bank loans for a further two years and one year respectively.

TREASURY POLICIES

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

The Group's bank borrowings are mainly denominated in Hong Kong dollars and have been arranged on a floating-rate basis. Investments in the Chinese Mainland are partly funded by capital already converted into Renminbi and partly financed by borrowings in Hong Kong dollars. Renminbi financing is at project level only where the sources of repayment are also Renminbi denominated. Given that income from operations in the Chinese Mainland is denominated in Renminbi, the Group expects that the steady appreciation of Renminbi in the long run will have positive effect on the Group's business performance and financial status. No hedging against Renminbi exchange risk has therefore been arranged. It is the Group's policy not to enter into derivative transactions for speculative purposes.

EMPLOYEES

At 30 June 2012, the number of employees in the Group was approximately 1,140 (31 December 2011: 1,170) in Hong Kong and Macau, and 8,610 (31 December 2011: 8,860) in subsidiaries and jointly controlled entities in the Chinese Mainland. While staff costs are kept stable during the current interim period, employee 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. Share options are granted annually by the Board of Directors to senior management and staff members under different schemes as reward and long-term incentives. Likewise, in the Chinese Mainland, staff benefits are commensurate with market levels, with emphasis on building the corporate culture and providing professional training and development opportunities for local employees. It remains our objective to be regarded as an employer of choice to attract, develop and retain high calibre competent staff.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

CORPORATE GOVERNANCE

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2012, including the accounting principles and practices adopted by the Group. It has also considered selected accounting, internal control and financial reporting matters of the Group, in conjunction with the Company's external auditor.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Stock Exchange has made amendments to the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules, which have come into effect on 1 April 2012. In view of these amendments, a review of the documentation adopted by the Company for enhancing its corporate governance practices has been made and, where appropriate, actions have been taken to ensure the Company's compliance with the revised CG Code as from 1 April 2012.

Except for the deviations set out below, the Company has complied with the code provisions of the former CG Code for the period from 1 January 2012 to 31 March 2012, as well as those of the revised CG Code for the period from 1 April 2012 to 30 June 2012.

A code provision in the CG Code provides that the terms of reference of the Remuneration Committee should include, as a minimum, the responsibilities (i) to determine or, in the revised CG Code, to make recommendations to the Board on the remuneration packages of the individual Executive Directors and senior management; and (ii) to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment. Under the code provision in the revised CG Code, the Remuneration Committee should also have a responsibility to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives. The Board has reviewed the functions of the Remuneration Committee 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. Accordingly, the terms of reference of the Remuneration Committee were amended to exclude such responsibilities from its scope of duties, which deviates from the code provision. Notwithstanding such deviation, the Remuneration Committee is still responsible for reviewing, approving and making recommendations to the Board on the guiding principles applicable to the determination of the remuneration packages of senior management.

Having reviewed the practices and procedures of remuneration committees in other jurisdictions, the Remuneration Committee decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration. Such recommendations were made to the Board by the Chairman of the Company, taking the advice of external professionals as appropriate. This practice was formally adopted and the Board approved the relevant amendment to the terms of reference of the Remuneration Committee in this respect, which also deviates from the code provision. The Non-executive Directors have abstained from voting in respect of the determination of their own remuneration at the relevant Board meetings.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's condensed consolidated statement of financial position as of 30 June 2012, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income and the related notes thereto for the period then ended as set out in this announcement have been extracted from the Group's unaudited condensed consolidated financial statements for the period, which has been reviewed by the Group's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA.

By order of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 22 August 2012

At the date of this announcement, the Executive Directors of the Company are Mr. Lo Hong Sui, Vincent, Mr. Choi Yuk Keung, Lawrence, Mr. Wong Kun To, Philip and Mr. Wong Fook Lam, Raymond; the Non-executive Director of the Company is Mr. Wong Yuet Leung, Frankie; and the Independent Non-executive Directors of the Company are Mr. Gerrit Jan de Nys, Ms. Li Hoi Lun, Helen, Mr. Chan Kay Cheung and Mr. Tsang Kwok Tai, Moses.

** For identification purpose only*

Website: www.socam.com