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 2014

FINANCIAL HIGHLIGHTS

		Six months ended 30 June	
		2014	2013
			(restated)
Turnover			
Company and subsidiaries	*HK$ million*	**2,765**	4,784
Share of joint ventures and associates	*HK$ million*	**2,123**	2,290
Total	*HK$ million*	**4,888**	7,074
Loss attributable to shareholders	*HK$ million*	**(573)**	(74)
Basic loss per share	*HK$*	**(1.18)**	(0.15)

		At 30 June	At 31 December
		2014	2013
Total assets	*HK$ billion*	**20.3**	23.1
Net assets	*HK$ billion*	**8.6**	9.3
Net asset value per share	*HK$*	**17.80**	19.26
Net gearing	*%*	**51.6**	48.3

BUSINESS REVIEW

The first half of 2014 was a period of continuing restructuring for SOCAM. While the monetisation plan continued with the momentum of the latter part of 2013, the Group experienced unprecedented challenges in its operating market environment due to the restricted mortgage policy for residential purchasers and the austerity measures in the Chinese Mainland which have a negative impact on our property disposal plans.

Marketing and sales activities in the property division slowed from March as a result of a potential offer to acquire the shares of the controlling shareholder of your Company, Shui On Company Limited (SOCL). Meanwhile, we were in active discussions with Lafarge on various exit options now in view of its impending merger with Holcim Limited, a global leading cement supplier, as this change in its shareholding structure will further affect the spirit of co-operation in our cement joint venture, Lafarge Shui On Cement (LSOC).

Despite the weakness in the United States in the first quarter, the developed economies showed signs of a sustainable recovery and gathered momentum in trade and investments. The World Bank expects the global economy to grow at 2.8% in 2014, with accelerated expansion in the immediate years ahead.

Asia generally benefited from the recovery of the international economy, as emerging markets and developing economies continued to contribute more than two-thirds of global growth. In the Chinese Mainland, domestic economic drivers remain resilient. GDP growth slowed slightly to 7.4% in the first half of 2014, reflecting China’s determination to achieve more balanced and healthy economic growth in the longer term.

The property sector in the Chinese Mainland remained lacklustre and impacted negatively on the overall economy. The Central Government’s austerity measures have continued to take a toll on sales nationwide. In the first half of the year, the value of home sales fell 9.2% year-on-year, and new construction starts, measured by area, dropped 16.4%. In July, average home prices were lower in 35 of 70 cities for a third straight month, as developers offered aggressive price cuts in recent months to stimulate market interest. However, from late May, there were welcome signals from the Central Government that bank lending as well as restrictive measures on the real estate market are beginning to be relaxed.

Cement production in China grew by a lower 3.6% year-on-year in the first half of this year, with demand driven by increasing urbanisation and spending on infrastructure projects such as roads, rails and airports. The industry is vulnerable to regional demand variations, highly competitive pricing pressures and fluctuations in energy and raw material costs. Although most of other major players posted encouraging results for the period, Lafarge continues to perform disappointingly in its management of LSOC, and this cement joint venture in southwest China again performed below expectations.

In Hong Kong, GDP is forecast to grow at 2-3% in 2014. Your Company is taking a cautionary note of the acute shortage in the skilled labour market in the construction industry. The escalating labour costs are now consistently pushing up housing prices, despite the various checks imposed by the HKSAR Government to curb speculation.

Since March 2013, the Group has committed to a monetisation plan to divest its property assets in an orderly manner to unlock value for our shareholders. This continues to be the priority of management, as is our exit from the cement business. However, these divestments were set against a challenging first half of the year that continued to see weakening sentiment in the property market in the Chinese Mainland. Further disposals of property projects were slowed down due to the impending restructuring of the Group. Foreign exchange losses incurred by the Group's property projects in the Mainland as a result of the depreciation of Renminbi during the period, as compared to the appreciation for the interim period in 2013, also posted negative impact on our results. Consequently, the Group recorded a loss attributable to shareholders of HK$573 million for the current interim period.

PROPERTY

Against the backdrop of austerity measures and concerns about over-supply, China's property market showed more signs of cooling in the first half of the year. Developers reacted by offering discounted prices to home buyers but these measures may well add to the already weakened confidence in the property sector. In May, the Central Bank loosened money supply by calling on the nation's biggest banks to prioritise the granting of mortgages to residential purchasers. The downstream effect of this liquidity easing is likely to be positive, and is seen as the main driver of home sales and possible recovery in the latter half of the year.

China's property sector including investment, construction and the many ancillary services accounts for a significant proportion of the nation's total GDP. Stability in this sector remains a Central Government imperative in sustaining the expansion of a balanced economy. Looking forward, it is likely that such positive policy fundamentals, together with the Government's latest drives to accelerate urbanisation by further promoting the redevelopment of shanty areas and deepening rural reforms, will ensure further healthy growth of China's property market.

Progress of Monetisation

During the first half of the year, SOCAM completed the disposal of an 80% interest in Shenyang Project Phase II, realising gross proceeds of approximately HK$1.5 billion. Capitalising on the prevailing market conditions, the Group also successfully disposed of Tianjin Project Phase II en-bloc in April, enabling the Group to generate gross proceeds of approximately HK$220 million.

Despite a slowdown in the monetisation progress in recent months, divestment of property assets was resumed in July. Market conditions will remain a major factor determining the implementation schedule in the second half of the year.

Special Situation Projects

SOCAM's property portfolio in the Chinese Mainland, as at 30 June 2014, comprises 11 special situation property projects, with a total developable GFA attributable to the Group of approximately 1.6 million square metres. The projects command prime locations in nine Mainland cities and offer attractive residential, office space, or symbiotic mixed-use development benefits, including retail. Our current portfolio is summarised as follows:

Property type	Location	Project	Total Developable GFA attributable to the Group (square metres)	Estimated completion year	SOCAM's interest
Residential	Beijing	Centrium Residence	5,400*	Completed	65%
	Guangzhou	Parc Oasis	14,800*	Completed	100%
	Shanghai	Lakeville Regency Tower 18	18,700*	Completed	100%
	Nanjing	Nanjing Project	48,200	2017	34%
Branded residence and hotel	Shanghai	21st Century Tower	36,400*	Completed	70%
Composite	Chengdu	Centropolitan	386,100	2015	81%
	Chongqing	Creative Concepts Center	31,500*	Completed	100%
	Shenyang	Shenyang Project Phase I	109,300*	Completed	100%
		Shenyang Project Phase II	130,600	Contracted disposal of remaining 20% interest in 2015	20%
Residential and retail	Guizhou	Zunyi Project	780,700	2018	100%
	Tianjin	Veneto	68,400	2017	45%
		Total:	1,630,100 square metres		

* *The GFA shown above has excluded sold and delivered areas*

Project Sales and Leasing

Beijing Centrium Residence
SOCAM holds a 65% interest in this low-density, luxury apartment development that offers 210 units in the sought-after Chaoyang District. Property prices and sales volume in Beijing remain resilient due to limited supply and a sustained demand. At 30 June 2014, handover of approximately 90% of the luxury units was completed. Car parking spaces were put up for sale towards the end of 2013 in response to strong market demand in the area.

Guangzhou Parc Oasis
Home purchase regulations remain tight in Guangzhou; residential sales volume fell 34% in the first quarter of 2014. However, SOCAM has successfully sold over 97% of all the units of the three 35 storeys residential towers and the 32 storeys serviced apartment tower. Handover of these units to buyers has been completed.

Shanghai Lakeville Regency Tower 18
These luxury serviced apartments in the much sought-after Xintiandi area were originally available for short and medium term lease, achieving consistent occupancy rates in the high-80% bracket. In December 2013, as part of the monetisation plan, the Group began to offer individual units for sale. Market response has so far been satisfactory with around half of the 100 apartments sold at 30 June 2014.

Tianjin Veneto
Construction work for the project with a GFA of 152,000 square metres is making good progress, with completion expected in 2017. Veneto is situated in a sought-after location close to the Wuqing Station of the Beijing-Tianjin Intercity Railway. Jointly developed with the SoTan Fund on a 50-50 basis, this project will be developed into a retail-led property with serviced apartments. In preparation for the sales and marketing launch, leasing and project promotion work have started, with favourable response from the market.

Shanghai 21st Century Tower
Amidst strong market competition, the Four Seasons Hotel, Pudong achieved an improved occupancy rate of around 52% during the period, as compared to 35% for the same period last year. The Group is offering for sale the 73 branded residences at Four Seasons Place that, with their designer finishing, prime location and captivating cityscape views, target the top-end discerning buyers. Currently around 37% of apartments has been sold.

Chengdu Centropolitan
Chengdu Centropolitan is a mixed-used development with a GFA of approximately 476,700 square metres. In Chengdu, average sales prices of residential properties fell 3.5% quarter-on-quarter in the first 3 months of 2014, but are stabilising in the post-May nationwide easing of home mortgage restrictions.

The pre-sale launch of the first batch of units in a residential tower commenced in late December 2013 and received initial favourable market response.

In January, the Group entered into an agreement to dispose of 43.5% interest in the project to a new investor and, as one of the conditions precedent, the Group bought back 49% interest from the previous joint venture partner in April. However, completion of this disposal did not take place because certain other conditions precedent had not been fulfilled, and the transaction was terminated in June. Immediately thereafter, the Group succeeded in disposing of 19% interest in the project to another investor. At the end of June 2014, SOCAM held an 81% interest in the project.

Chongqing Creative Concepts Center
Creative Concepts Center commands a prime location with significant frontage to the central business district. All office and residential units have now been sold. The retail mall opened in late 2012 and, as at 30 June 2014, achieved approximately 77% occupancy.

Shenyang Project Phases I and II
Phase I is completed. Over 94% of the residential units and upscale apartments and around 78% of the office space have been sold. The retail mall, opened in late 2013, was nearly 56% leased at the end of June 2014.

The disposal of an 80% project interest in Phase II was completed in January. As contracted, the Group will dispose of its remaining 20% interest to the same buyer by 2015.

Project Acquisition

Towards the end of 2013, the Group and the SoTan private equity fund, in a 50/50 joint venture, entered into a framework agreement to acquire a 65% interest in a project in the Jiangning District of Nanjing. This acquisition was completed in February. Subsequent capital injection into the project, coupled with the acquisition of the minority shareholding, will raise the joint venture's interest in the project to 100%. The project, on completion, will consist of a residential complex with a total GFA of approximately 141,000 square metres in the heart of the vibrant Yangtze River Delta Economic Zone.

Knowledge Community

Dalian Tiandi

This parkland development in Dalian, on the east coast, is developed jointly by Shui On Land, SOCAM and the Yida Group; SOCAM has a 22% interest. The development will offer a total GFA of 3.1 million square metres on completion. At 30 June 2014, a total leasable and saleable GFA of 539,000 square metres was completed and the leasable and saleable GFA under construction totalled 827,000 square metres. The overall office occupancy rate stood at 87%.

From June, the first batch of 500 residential units in Hekou Bay is being handed over to buyers. Pre-sale permits for the residential units in Huangnichuan have been obtained. However, occupancy and sales targets have been below our expectations in the first half of the year due to abundant market supply in the surrounding area.

CONSTRUCTION

Hong Kong's construction industry is operating under promising, yet challenging market conditions, continuing from the year before when the gross value of construction work performed by main contractors increased by almost 10%.

Housing policy remains a prime focus of the HKSAR Government which has committed to providing 470,000 housing units over 10 years of which 60% is for the public sector and 40% for the private residential market. To resolve the shortage of new accommodations, this resurgent construction activity is welcomed. However, despite thriving current opportunities and a promising outlook for the construction sector, securing meaningful profit margins remains a challenge with the serious shortage of skilled labour and wage inflation, contributing to a significant increase in costs. More specifically, with the various major infrastructure projects entering their peaks of construction works, the already strong demand for specialised expertise and skilled labour further intensified. The tendering environment also remains highly competitive.

The Group's construction business recorded a profit of HK$47 million in the first half of the year. Turnover was HK$2,478 million, a slight increase compared with the corresponding period last year. New contracts totaling approximately HK$3.2 billion were secured.

At 30 June 2014, the gross value of contracts on hand was approximately HK$19.3 billion and the value of outstanding contracts to be completed was approximately HK$14.4 billion (HK$17.8 billion and HK$13.4 billion respectively at 31 December 2013).

Shui On Construction (SOC) and Shui On Building Contractors (SOBC) completed several projects in the first half of the year, worth a total of HK$1,933 million. SOC delivered on-time the design and construction of Hong Kong Garden for the Qingdao International Horticultural Exposition 2014 and the construction of Town Park, Indoor Velodrome-cum-Sports Centre in Area 45, Tseung Kwan O. SOBC completed construction of the Public Rental Housing Development at Kwai Shing Circuit and a contract for the Maintenance, Improvement and Vacant Flat Refurbishment for properties managed by the District Maintenance Office.

New projects secured by our construction division in the first half of the year comprised two term contracts for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and other Properties for the Architectural Services Department (HK$817 million), two term contracts for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by the Hong Kong Housing Authority (HKHA) (HK$813 million) and Construction of Lift Tower and associated works in Wo Lok Estate for the HKHA (HK$25 million). Subsequent to 30 June 2014, a contract was secured for Construction of the Public Rental Housing Development at San Po Kong (HK$560 million).

Shui On Construction, Mainland (SOCM), the Group's 85%-owned construction arm in the Chinese Mainland, provided services for Chongqing Tiandi, Foshan Lingnan Tiandi, Wuhan Tiandi and Shanghai Rui Hong Xin Cheng projects of Shui On Land, and Tianjin Veneto and Chengdu Centropolitan projects of SOCAM. SOCM completed main construction contracts valued at HK$659 million and secured approximately HK$797 million worth of new works during the period under review.

We continue to carefully consider price fluctuations over the course of our contracts when tendering and ways to increase operational efficiency, thus keeping a tight control over project costs to enhance profitability.

During the period, Pat Davie secured fit-out and renovation contracts of approximately HK$790 million. New projects included Lung Cheung Plaza enhancement works, Hong Kong Jockey Club Sha Tin Communications and Technology Centre fit-out works and, in Macau, Wynn Palace Cotai podium ground level retail promenade and Galaxy Resort and Casino - Ritz Carlton ballroom and lobbies fit-out works. Major completed projects included the Consulate General of Canada in Hong Kong, Cargo Consolidation Complex of PCCW in Kwai Chung, Hong Kong Science Park Phase 3, and shop reinstatement in Cityplaza of Swire Properties.

SOCAM's construction division prides itself on the array of awards received in areas such as site safety, quality, energy efficiency, and green feature design and construction adoption. As we remain sensitive to the immediate neighbourhood of our construction operations, and to the wider eco-system, we will maintain our commitment to be a responsible contractor.

On 21 August 2014, the Group signed an agreement to dispose of its construction business in the Chinese Mainland, including SOCM, to Shui On Land (SOL) for a cash consideration of approximately HK$340 million, which is in line with our strategic monetisation plan to divest our property projects and inventories in the Mainland. Subject to approvals of the independent shareholders of both SOCAM and SOL, the disposal is expected to be completed in the fourth quarter of this year.

CEMENT

China's cement production saw the slowest growth in the last ten years to 1.14 billion tonnes in the first half of 2014, up 3.6% only from the corresponding period a year ago. The southwestern region, including Sichuan, Chongqing, Guizhou and Yunnan, also experienced considerable decrease in production growth for the period, yet still expanded by the above-average 8.8%. The over-capacity situation in the region continues to linger.

Consumption of cement in China is primarily driven by fixed asset investments, which grew at a slower rate of 17.3% for the first half of this year, on a year earlier. The significant contraction in demand for cement from the real estate sector has over-shadowed the increase in infrastructure-related expenditure. As a result, cement prices have been on a decreasing trend since the beginning of this year, as evidenced by the decline in the cement price index. Profitability of the cement industry as a whole, however, increased primarily due to a relatively larger reduction in coal prices.

Encouragingly, the supply and demand balance as well as operational efficiency within the industry continue to improve. Capacity utilisation now appears firmly on a rising trend as China's Ministry of Industry and Information Technology targets the phasing out of a further 50 million tonnes of outdated plants in 2014. The industry itself has also taken on market rationalisation through mergers and acquisitions, thus increasing the market share of more energy-efficient, modern producers. The Central Government's investment in infrastructure works, and its mild stimulus measures such as acceleration of the building of affordable public housing, are driving demand for cement. Consolidation and product price stability remain as major market challenges that will take a few more years to be fully redressed.

Lafarge Shui On Cement (LSOC)

LSOC, in which the Group holds a 45% interest, is a major cement producer in southwest China. At 30 June 2014, its total annual production capacity stayed at approximately 31 million tonnes.

The over-capacity problem continues to take its toll in this region, and the resultant stiff competition saw continued depressed cement prices.

Total sales volume of LSOC for the first half of 2014 was approximately 13.8 million tonnes, which was slightly higher than that of the same period in 2013. Prices suffered a 1% decrease on average, while variable costs of production reduced by approximately 3.5%, attributable mainly to lower fuel costs. Despite improved margins and EBITDA, LSOC continued to report net loss for this period.

LSOC's plan to inject cement plants into Sichuan Shuangma Cement, a listed company on the Shenzhen Stock Exchange, progressed well. In January 2014, the injection by LSOC of its remaining 25% interest in the Dujiangyan plants into Sichuan Shuangma at a valuation of RMB832 million for new shares of Sichuan Shuangma received overwhelming approval from the independent shareholders of Sichuan Shuangma. It is expected that the China Securities Regulatory Commission (CSRC) will grant final approval for this asset injection around September. Upon completion, LSOC will increase its shareholding in Sichuan Shuangma from the present 69.3% to 75.3%.

LSOC will continue to work on the injection of more cement assets into Sichuan Shuangma, which will not only fulfill its commitment to CSRC, but also enhance progressively the market value of this joint venture.

The Group continues to pursue its planned exit strategy for its interests in LSOC, which sustained loss during this interim period again, to free up the significant amount of our financial resources invested in it. Currently, the Company is in discussions with Lafarge to pursue various exit options amid the impending merger of this joint venture partner with Holcim Limited.

OUTLOOK

Major economies are coming out of the trough, and are leading the global recovery, although there are still challenges and uncertainties ahead, including conflicts in the Middle East and concerns over relationships between the West and Russia over Ukraine. China's economy is fundamentally stable, with the Central Government paying increasing attention to the quality of economic growth.

The Group's major assets are in property and cement sectors in the Chinese Mainland, where market conditions in both sectors have been challenging for the last two years. As aforementioned, recent indications are that uncertainty and short-term adjustments in such markets which dominated in the past few years are gradually being uplifted. We therefore maintain a positive outlook in the longer term in these sectors, and in the Chinese economy as a whole.

The monetisation programme of SOCAM has resulted in a number of en-bloc sales, including Shenyang Project Phase II and Tianjin Project Phase II since late 2013, realising significant cash proceeds. During the period, progress of monetisation was deferred as a result of market conditions and the potential offer to acquire the SOCAM shares being held by SOCL. On 30 July, the negotiations between SOCL and the offeror were terminated.

The disappointing performance of LSOC and the lack of co-operation from our joint venture partner has brought impacts on our cement exit plan. Meanwhile, LSOC will take advantage of the industry consolidation and is expected to post more satisfactory results in the coming years. The continuous injection of quality cement assets into Sichuan Shuangma, as well as the success in raising funds from the debt market, are all encouraging developments which will enhance the value of our joint venture as we strive to realise our investment in the cement business.

Our construction division is taking on an increasing number of new jobs. We see a healthy flow of projects in the pipeline at a time when public works are being actively launched by the HKSAR Government. With due caution, SOCAM is well poised to capture the market opportunities despite labour shortage and rapidly rising labour and material costs.

Over the years, SOCAM has firmly established itself in the construction, China property and cement sectors, despite some unforeseen difficulties in the operating environment. We are hopeful that the original plan of asset monetisation will resume its momentum in the second half of 2014, and we will ride on our flexible response to the market and efficiently dispose of our remaining property portfolio with a view to realising the value of our assets, as well as reducing both our operating and finance costs. Emphasis will also be placed on the completion of existing development projects according to schedule. In the short term, however, there will be continuous pressure on our operating performance and we sincerely ask for the understanding of our shareholders amid the current restructuring phase of your Company.

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 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June 2014 HK$ million (unaudited)	2013 HK$ million (unaudited) (restated)
Turnover			
The Company and its subsidiaries		**2,765**	4,784
Share of joint ventures/associates		**2,123**	2,290
		4,888	7,074
Group turnover	2	**2,765**	4,784
Other income		**80**	116
Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold		**(180)**	(2,170)
Raw materials and consumables used		**(386)**	(327)
Staff costs		**(332)**	(274)
Depreciation and amortisation expenses		**(8)**	(15)
Subcontracting, external labour costs and other expenses		**(1,964)**	(1,723)
Fair value changes on investment properties		**1**	17
Dividend income from available-for-sale investments		**1**	1
Finance costs		**(186)**	(178)
Loss on disposal of a subsidiary		**(20)**	–
Loss on disposal of interests in joint ventures		**(7)**	–
Share of results of joint ventures		**(251)**	(97)
Share of results of associates		**(65)**	(9)
(Loss) profit before taxation		**(552)**	125
Taxation	3	**(14)**	(191)
Loss for the period		**(566)**	(66)
Attributable to:			
Owners of the Company		**(573)**	(74)
Non-controlling interests		**7**	8
		(566)	(66)
Loss per share	5		
Basic		**HK$(1.18)**	HK$(0.15)
Diluted		**HK$(1.18)**	HK$(0.15)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014	2013
	HK$ million	HK$ million
	(unaudited)	(unaudited)
		(restated)
Loss for the period	**(566)**	(66)
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Fair value changes of available-for-sale investments	**(15)**	(30)
Exchange differences arising on translation of financial statements of foreign operations	**(72)**	127
Share of exchange differences of joint ventures	**(35)**	68
Share of exchange differences of associates	**(4)**	9
Reclassification adjustments for amounts transferred to profit or loss:		
– upon disposal of a subsidiary	**(7)**	–
– upon disposal of property inventories, net of deferred tax of HK$2 million (2013: HK$3 million)	**(3)**	(14)
Other comprehensive (expense) income for the period	**(136)**	160
Total comprehensive (expense) income for the period	**(702)**	94
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(709)**	86
Non-controlling interests	**7**	8
	(702)	94

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2014 HK$ million (unaudited)	31 December 2013 HK$ million (audited)
Non-current Assets			
Investment properties		**2,074**	2,096
Property, plant and equipment		**45**	57
Interests in joint ventures		**3,745**	3,698
Available-for-sale investments		**56**	71
Interests in associates		**375**	416
Club memberships		**1**	1
Trade debtors		**25**	38
Amounts due from joint ventures		**2,394**	2,388
Amounts due from associates		**853**	865
		9,568	9,630
Current Assets			
Inventories		**1**	1
Properties held for sale		**693**	843
Properties under development for sale		**815**	874
Debtors, deposits and prepayments	6	**1,593**	1,545
Amounts due from customers for contract work		**413**	426
Amounts due from joint ventures		**1,398**	1,158
Amounts due from associates		**585**	498
Amounts due from related companies		**4**	196
Taxation recoverable		**65**	42
Other financial asset		**–**	127
Restricted bank deposits		**358**	946
Bank balances, deposits and cash			
– Cash and cash equivalents		**2,562**	2,606
– Other bank balances		**–**	150
		8,487	9,412
Assets classified as held for disposal		**2,213**	4,078
		10,700	13,490
Current Liabilities			
Creditors and accrued charges	7	**2,106**	2,538
Sales deposits received		**23**	112
Amounts due to customers for contract work		**402**	397
Amounts due to joint ventures		**366**	484
Amounts due to associates		**3**	3
Amounts due to related companies		**1**	201
Amounts due to non-controlling shareholders of subsidiaries		**8**	3
Taxation payable		**194**	216
Bank and other borrowings due within one year		**5,869**	6,892
		8,972	10,846
Liabilities directly associated with assets classified as held for disposal		**415**	777
		9,387	11,623
Net Current Assets		**1,313**	1,867
Total Assets Less Current Liabilities		**10,881**	11,497
Capital and Reserves			
Share capital		**484**	484
Reserves		**8,140**	8,840
Equity attributable to owners of the Company		**8,624**	9,324
Non-controlling interests		**55**	67
		8,679	9,391
Non-current Liabilities			
Bank and other borrowings		**1,502**	1,313
Defined benefit liabilities		**104**	104
Deferred tax liabilities		**596**	689
		2,202	2,106
		10,881	11,497

Notes:

1. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2014 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").

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 2014 and 31 December 2013 has been arrived at on the basis of valuations carried out on those dates by an independent qualified professional valuer.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013. Joint ventures and associates of the Group adopt uniform accounting policies for like transactions and events in similar circumstances as those of the Group. In the current interim period, the Group has applied, for the first time, the new interpretation and 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 2014.

The application of the above new interpretation and amendments to HKFRSs has had no material effect on the amounts and disclosures set out in the condensed consolidated financial statements for the current interim period.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

The investment in LSOC was classified as assets classified as held for disposal in prior years. However, the investment in LSOC no longer met the criteria to be classified as held for disposal in 2013, despite the fact that the Group remains highly committed to its plan to exit entirely from this investment, and accordingly the investment was accounted for using the equity method retrospectively. Such a change has been reflected in the Group's consolidated financial statements for the year ended 31 December 2013. For this interim condensed consolidated financial statements, comparative figures have also been restated in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

2. Segment information

For management reporting purposes, the Group is currently organised into four 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. Cement operations through Lafarge Shui On Cement Limited ("LSOC")

4. Other businesses – venture capital investment, cement operations not through LSOC, and others

2. Segment information (continued)

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 2014

	Property HK$ million	Construction and building maintenance HK$ million	Cement operations through LSOC HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE					
Sales of goods	**228**	**1**	**–**	**13**	**242**
Rental income	**19**	**–**	**–**	**–**	**19**
Revenue from rendering of services	**26**	**9**	**–**	**1**	**36**
Construction contract revenue	**–**	**2,468**	**–**	**–**	**2,468**
Revenue from external customers	**273**	**2,478**	**–**	**14**	**2,765**
Inter-segment revenue	**–**	**13**	**–**	**–**	**13**
	273	**2,491**	**–**	**14**	**2,778**
Share of joint ventures/associates' revenue	**378**	**1**	**1,708**	**36**	**2,123**
Total segment revenue	**651**	**2,492**	**1,708**	**50**	**4,901**

Inter-segment revenue is charged at mutually agreed prices.

	Property	Construction and building maintenance	Cement operations through LSOC	Other businesses	Total
Reportable segment results	**(240)**	**47**	**(132)**	**(16)**	**(341)**
Unallocated items:					
Other income					**3**
Finance costs					**(186)**
Other corporate expenses					**(28)**
Consolidated loss before taxation					**(552)**
Segment results have been arrived at after crediting (charging):					
Cost of properties sold	**(198)**	**–**	**–**	**–**	**(198)**
Depreciation and amortisation	**(4)**	**(2)**	**–**	**(1)**	**(7)**
Interest income	**45**	**2**	**3**	**–**	**50**
Fair value changes on investment properties	**1**	**–**	**–**	**–**	**1**
Dividend income from available-for-sale investments	**1**	**–**	**–**	**–**	**1**
Loss on disposal of interests in joint ventures	**(7)**	**–**	**–**	**–**	**(7)**
Loss on disposal of a subsidiary	**(20)**	**–**	**–**	**–**	**(20)**
Share of results of joint ventures					
Property development	**(102)**	**–**	**–**	**–**	**(102)**
Cement operations through LSOC	**–**	**–**	**(139)**	**–**	**(139)**
Cement operations in Guizhou	**–**	**–**	**–**	**2**	**2**
Venture capital investments	**–**	**–**	**–**	**(12)**	**(12)**
					(251)
Share of results of associates					
Property development	**(65)**	**–**	**–**	**–**	**(65)**

2. Segment information (continued)

For the six months ended 30 June 2013 (restated)

	Property	Construction and building maintenance	Cement operations through LSOC	Other businesses	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
REVENUE					
Sales of goods	2,471	36	–	–	2,507
Rental income	21	–	–	–	21
Revenue from rendering of services	38	15	–	1	54
Construction contract revenue	–	2,202	–	–	2,202
Revenue from external customers	2,530	2,253	–	1	4,784
Inter-segment revenue	–	23	–	–	23
	2,530	2,276	–	1	4,807
Share of joint ventures/associates' revenue	618	6	1,631	35	2,290
Total segment revenue	3,148	2,282	1,631	36	7,097

Inter-segment revenue is charged at mutually agreed prices.

	Property	Construction and building maintenance	Cement operations through LSOC	Other businesses	Total
Reportable segment results	416	72	(120)	(20)	348
Unallocated items:					
Other income					2
Finance costs					(178)
Other corporate expenses					(47)
Consolidated profit before taxation					125
Segment results have been arrived at after crediting (charging):					
Cost of properties sold	(2,079)	–	–	–	(2,079)
Depreciation and amortisation	(11)	(2)	–	(1)	(14)
Interest income	20	2	3	2	27
Imputed interest income on loans to joint ventures/associates	14	–	–	–	14
Fair value changes on investment properties	17	–	–	–	17
Dividend income from available-for-sale investments	1	–	–	–	1
Share of results of joint ventures					
Property development	60	–	–	–	60
Cement operations through LSOC	–	–	(127)	–	(127)
Cement operations in Guizhou	–	–	–	5	5
Venture capital investments	–	–	–	(32)	(32)
Imputed interest expense	(3)	–	–	–	(3)
					(97)
Share of results of associates					
Property development	2	–	–	–	2
Imputed interest expense	(11)	–	–	–	(11)
					(9)

3. Taxation

	Six months ended 30 June	
	2014	2013
	HK$ million	HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**6**	12
PRC Enterprise Income Tax	**44**	137
PRC Land Appreciation Tax	**52**	119
	102	268
Deferred taxation	**(88)**	(77)
	14	191

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax is calculated at 25% (2013: 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.

4. Dividends

The Board does not recommend the payment of an interim dividend (2013: nil) for the six months ended 30 June 2014.

	Six Months ended 30 June	
	2014	2013
	HK$ million	HK$ million
Final dividend recognised as distribution during the period (note)	**–**	247

Note: The Board did not recommend the payment of a final dividend for the year ended 31 December 2013 (2013: HK$0.50 per share for the year ended 31 December 2012)

5. Loss per share

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

	Six months ended 30 June	
	2014	2013
	HK$ million	HK$ million (restated)
Loss:		
Loss for the purposes of basic and diluted loss per share	**(573)**	(74)
	Million	Million
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**484**	493
Effect of dilutive potential ordinary shares:		
Share options	–	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**484**	493

The computation of the diluted loss per share for the six months ended 30 June 2014 and 30 June 2013 does not assume the exercise of the Company's share options, because this would result in a decrease in loss per share.

The following table summarises the impact on both basic and diluted earnings per share for the prior period as a result of the Group accounting for its investment in LSOC using the equity method of accounting for the six months ended 30 June 2013 (see note 1).

	As originally stated	Investment in LSOC being accounted for using the equity method	As restated
	HK$ million	HK$ million	HK$ million
Condensed consolidated statement of profit or loss for the six months ended 30 June 2013			
Share of results of joint ventures	30	(127)	(97)
Profit (loss) for the period	61	(127)	(66)
Attributable to:			
Owners of the Company	53	(127)	(74)
Non-controlling interests	8	–	8
	61	(127)	(66)
Earnings (loss) per share for the six months ended 30 June 2013			
Basic	HK$0.11	HK$(0.26)	HK$(0.15)
Diluted	HK$0.11	HK$(0.26)	HK$(0.15)

6. 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 the repayment terms set out in the sale and purchase agreements or invoice date) at the end of the reporting period as follows:

	30 June 2014 HK$ million	31 December 2013 HK$ million
Trade debtors aged analysis:		
Not yet due or within 90 days	**747**	911
91 days to 180 days	**15**	6
181 days to 360 days	**96**	40
Over 360 days	**53**	32
	911	989
Less: amounts classified as amounts due from joint ventures, associates and related companies	**(232)**	(336)
Retention receivable	**210**	231
Consideration receivables in respect of disposal of a subsidiary/ a joint venture	**32**	32
Prepayments, deposits and other receivables (note)	**697**	667
	1,618	1,583
Less: amount due for settlement after 12 months	**(25)**	(38)
	1,593	1,545

Note: (a) Included in the trade debtors are receivables of HK$233 million (31 December 2013: HK$182 million), which are aged over 180 days, based on the date on which revenue was recognised.

(b) Included in prepayments, deposits and other receivables at 30 June 2014 are receivables of HK$402 million (31 December 2013: HK$400 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$151 million (31 December 2013: HK$153 million) carries interest at prevailing market rates. A court in the PRC issued a notice to attach the aforesaid property interest until December 2014 to cause the Debtor to settle part of the outstanding receivable in the amount of RMB120 million (approximately HK$151 million) (31 December 2013: RMB120 million (approximately HK$153 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 8(d)). In the opinion of the Directors of the Company, given that there have been continued positive outcomes in the legal disputes in relation to the property interest, 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.

7. Creditors and accrued charges

The aged analysis of creditors (based on invoice date) of HK$748 million (31 December 2013: HK$1,097 million), which are included in the Group's creditors and accrued charges, is as follows:

	30 June 2014 HK$ million	31 December 2013 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**451**	901
31 days to 90 days	**49**	33
91 days to 180 days	**122**	55
Over 180 days	**126**	108
	748	1,097
Retention payable	**303**	348
Consideration payable in respect of acquisition of subsidiaries	**–**	117
Provision for contract work/construction cost	**746**	617
Other accruals and payables	**309**	359
	2,106	2,538

8. Contingent liabilities

At 30 June 2014, the Group had the following contingent liabilities, which have not been provided for in the condensed consolidated financial statements:

(a) Standby documentary credit arranged with a bank to secure a bank loan of RMB110 million (HK$139 million) (31 December 2013: HK$140 million) granted to a subsidiary of an associate.

(b) Effective share of guarantees issued in favour of banks amounting to HK$661 million (31 December 2013: HK$456 million) to secure bank loans granted to certain joint ventures.

(c) Effective share of a guarantee issued in favour of a joint venture (the “Joint Venture”, which was formed between an associate and an independent third party (the “Joint Venture Partner”)) and the Joint Venture Partner for an amount not exceeding RMB110 million (HK$139 million) (31 December 2013: RMB110 million (HK$140 million)) in respect of certain of the Group’s payment obligations to the Joint Venture and the Joint Venture Partner.

(d) In 2007, the Company issued a guarantee (the “Guarantee”) in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of 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 6 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 fulfillment of the Company’s obligations under the Guarantee to October 2014, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$683 million) at 30 June 2014 (31 December 2013: RMB542 million (HK$689 million)) and the related interest 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.

9. Event after the reporting period

On 21 August 2014, the Group entered into agreements with certain wholly-owned subsidiaries of Shui On Land Limited (“SOL”), pursuant to which the Group will sell and SOL will purchase the Group’s entire equity interests in, and the related shareholders’ loans to, certain subsidiaries engaged in the construction, interior fit-out and renovation businesses in the PRC. The aggregate consideration for the disposal under the agreements is approximately HK$340 million, subject to adjustment. Completion of the disposal is subject to certain conditions having been satisfied. The Directors of the Company expect the disposal will be completed by end of 2014. Details of the transaction are set out in an announcement of the Company dated 21 August 2014.

FINANCIAL REVIEW

INTERIM RESULTS

The Group's loss attributable to shareholders for the six months ended 30 June 2014 was HK$573 million on a turnover of HK$2,765 million, compared with the restated net loss of HK$74 million (as restated for the Group's share of loss of LSOC of HK$127 million) and HK$4,784 million turnover for the corresponding period last year. The Board has resolved not to declare an interim dividend (2013: nil).

An analysis of the total turnover is as follows:

	Six months ended 30 June 2014 HK$ million	Six months ended 30 June 2013 HK$ million (restated)
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**2,478**	2,253
Property	**273**	2,530
Others	**14**	1
Total	**2,765**	4,784
Joint ventures and associates		
Property	**378**	618
Cement	**1,744**	1,666
Others	**1**	6
Total	**2,123**	2,290
Total	**4,888**	7,074

Turnover from our construction and building maintenance businesses recorded a 10% increase on an expanded workload during the current period. Revenue from the property business decreased substantially to HK$273 million, from HK$2,530 million for the last interim period, largely because of the slowdown in the disposal of the Group's property projects and inventories amid the unfavourable property market sentiment in the Chinese Mainland and impending restructuring of the Group. In addition, over 97% of the residential units in Guangzhou Parc Oasis and around 85% of the office and apartment spaces in Shenyang Project Phase I have already been sold by the end of last year, and hence much reduced revenue was derived from these two projects in 2014. In the first half of 2013, the high turnover in property mainly came from strata-title sales of residential units of Guangzhou Parc Oasis and en-bloc disposals of the Guangzhou Panyu project and an office tower of Shenyang Project Phase I.

The disposal of 80% interest in Shenyang Project Phase II and our entire 55% interest in Tianjin Project Phase II during this interim period generated gross proceeds of around HK$1.7 billion; however such proceeds have not been included in turnover under the applicable accounting standard because an agreement to dispose of the former was signed in December 2013 and the relevant asset was accounted for as "Assets classified as held for disposal" at the end of last year, while the latter being disposed of was an equity interest in a joint venture. In addition, as part of the monetisation plan, in December 2013, the Group commenced strata-title sales of the apartment units of an investment property – Tower 18, Lakeville Regency in Shanghai. Again, the sales revenue of this property for the current interim period, amounting to HK$331 million, has not been included in turnover according to applicable accounting rule.

Beijing Centrium Residence and Shanghai Four Seasons Place, in which the Group has a 65% and 70% interest respectively, recorded lesser revenue in this interim period, largely because around 90% of the apartment units of Beijing Centrium Residence has already been disposed of by end of last December and sales of the Group's luxury branded residence in Shanghai remain sluggish this year due to continued austerity measures on the Mainland property market. Together with the 22%-owned Dalian Tiandi, the Group's share of property sales revenue from these joint developments decreased to HK$378 million for the current interim period, compared with HK$618 million in the same period last year.

The Group previously accounted for its 45% interest in LSOC as "Assets classified as held for disposal". Notwithstanding that the Group is still highly committed to the exit strategy for its investment in LSOC, the very stringent criteria for the classification of this investment as held for disposal under the applicable accounting standard could no longer be met at 31 December 2013. Accordingly, the Group ceased to classify such investment as held for disposal and, as required, retrospectively accounted for it using the equity method, with comparative figures restated.

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

	Six months ended 30 June 2014 HK$ million	Six months ended 30 June 2013 HK$ million (restated)
Property		
Project fee income	**26**	38
Profit from property sales and net rental income	**12**	368
Fair value changes on investment properties, net of deferred tax provision	**(6)**	13
Share of results of joint ventures and associates	**(167)**	62
Net loss on disposal of a subsidiary and joint ventures	**(27)**	–
Net operating expenses	**(131)**	(90)
	(293)	391
Construction	**45**	70
Cement operations		
LSOC	**(132)**	(120)
Guizhou cement	**2**	5
	(130)	(115)
Venture capital investments	**(12)**	(32)
Net finance costs	**(136)**	(152)
Corporate overheads and others	**(33)**	(41)
Taxation	**(7)**	(187)
Non-controlling interests	**(7)**	(8)
Total	**(573)**	(74)

Property

Project fee income from joint ventures and associates for the current period decreased to HK$26 million following the scheduled completion of certain of the property projects managed by the Group.

Decrease in profit from property sales for this interim period was a result of the substantial reduction in property sales as mentioned above. In the previous interim period, property sales profit mainly came from strata-title sales of residential units of Guangzhou Parc Oasis, and en-bloc disposals of the Guangzhou Panyu project and an office tower of Shenyang Project Phase I. Rental income was derived from the Group's investment properties, including Lakeville Regency Tower 18 in Shanghai and the shopping malls of Chongqing Creative Concepts Center and Shenyang Project Phase I.

The Group's jointly developed projects, Beijing Centrium Residence and Shanghai Four Seasons Place registered much lesser sales in the current period, hence contributing smaller profits to the Group. In addition, following the progressive completion of development of certain phases of Dalian Tiandi, interest on related construction loans ceased to be capitalised and were expensed. These, coupled with foreign exchange losses incurred on borrowings due to depreciation of Renminbi against Hong Kong dollars during the first half of this year, caused the Group to record a net loss of HK$167 million attributable to its interests in the property joint ventures and associates for the current period. In contrast, the Group's share of profits of these joint ventures and associates for the previous interim period was lifted by foreign exchange gains of a meaningful amount resulting from appreciation of Renminbi.

During the current period, the disposal of Shenyang Project Phase II, Tianjin Project Phase II and a 19% interest in Chengdu Centropolitan produced a HK$27 million net loss, but realised net cash proceeds of HK$1.9 billion, which have reduced the Group's finance costs.

Increase in net operating expenses for the current interim period, as compared with the previous interim period, was largely due to foreign exchange losses incurred on bank borrowings as a result of the aforementioned fluctuations of Renminbi against Hong Kong dollars during the period under review.

Construction

Construction business reported a decline in profit, on increased turnover, for the current period, mainly because of the upsurges in material and labour costs, a higher proportion of construction works in the Chinese Mainland which carried lower margins, and profit having not been recognised under the Company's accounting policy on longer-term, large-scale construction contracts that were at their very early stage of works. Average net profit margin decreased to 1.8% of turnover, from 3.1% in the previous interim period.

Cement operations

Total sales volume increased slightly, while pricing continued to be depressed as the over-capacity problems in southwest China remain unresolved. LSOC saw an increase in both margins and EBITDA, largely due to decrease in variable cost of production on lower fuel charges, but continued to report a net loss for the current interim period.

Net finance costs

Net finance costs decreased to HK$136 million for the first half of 2014, from HK$152 million for the same period in 2013, which was in line with the reduction in bank and other borrowings during the current interim period.

ASSETS BASE

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

	30 June 2014 **HK$ million**	31 December 2013 HK$ million
Total assets	**20,268**	23,120
Net assets	**8,624**	9,324
	HK$	HK$
Net assets per share	**17.8**	19.3

Total assets of the Group decreased to HK$20.3 billion at 30 June 2014 from HK$23.1 billion at 31 December 2013, which will be explained in the segment analysis below. The decrease in both net assets of the Group and net assets per share was largely attributable to the loss incurred during the current period and the HK$111 million decrease in the translation reserve as a result of the depreciation of Renminbi against Hong Kong dollars.

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

	30 June 2014 **HK$ million**	**%**	31 December 2013 HK$ million	%
Property	**13,177**	**65**	15,266	66
Cement	**3,780**	**19**	4,004	17
Construction	**2,127**	**10**	2,281	10
Others	**1,184**	**6**	1,569	7
Total	**20,268**	**100**	23,120	100

The proportion of total assets of each business segment remained relatively stable at 30 June 2014, when compared with that at 31 December 2013. However, as our monetisation efforts yielded results with, in particular, Shenyang Project Phase II and Tianjin Project Phase II disposed of during the period, the total value of property assets decreased by HK$2.1 billion, and the sales proceeds were largely applied towards repayment of the Group's bank borrowings and settlement of other liabilities.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company was HK$8,624 million on 30 June 2014, compared with HK$9,324 million on 31 December 2013. The decline was mainly attributable to the loss for the period and decrease in the translation reserve as mentioned above.

Net bank and other borrowings of the Group, which represented bank and other borrowings, net of bank balances, deposits and cash, amounted to HK$4,451 million on 30 June 2014. This compared with HK$4,503 million on 31 December 2013.

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

	30 June 2014 HK$ million	31 December 2013 HK$ million
Bank and other borrowings repayable:		
Within one year	**5,869**	6,892
After one year but within two years	**1,502**	1,313
Total bank and other borrowings	**7,371**	8,205
Bank balances, deposits and cash	**(2,920)**	(3,702)
Net bank and other borrowings	**4,451**	4,503

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, increased slightly to 51.6% at 30 June 2014, from 48.3% at 31 December 2013, mainly as a result of the decrease in shareholders' equity during this 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 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 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 2014, the number of employees in the Group was approximately 1,170 (31 December 2013: 1,110) in Hong Kong and Macau, and 7,330 (31 December 2013: 7,650) in subsidiaries and joint ventures 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. Based on the financial performance of the Group as well as the individual performance and contribution of the staff members each year, share options may be granted to senior management and staff members under different schemes as reward and long-term incentives. Likewise, in the Chinese Mainland, staff benefits are commensurate with market levels, with an 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 2014.

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 2014, 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

Throughout the six months ended 30 June 2014, 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.

A code provision of the CG Code provides that the terms of reference of the Remuneration Committee should include, as a minimum, the responsibilities to (i) determine or make recommendations to the Board on the remuneration packages of the individual Executive Director and senior management; (ii) review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment; and (iii) review and approve the management's remuneration proposals 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 their daily business operations. The Remuneration Committee would continue to be primarily responsible for the review and determination of the remuneration package of the individual Executive Director. After due consideration, the Board adopted the revised terms of reference of the Remuneration Committee with the said responsibilities in relation to the remuneration and compensation of management excluded from its scope of duties, which deviates from 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 amendment to the terms of reference of the Remuneration Committee in this respect, which deviates from a code provision of the CG Code. 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 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 its code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standard set out in the Model Code throughout the six months ended 30 June 2014.

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 2014, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other 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 2014

At the date of this announcement, the Executive Directors of the Company are Mr. Lo Hong Sui, Vincent, Mr. Choi Yuk Keung, Lawrence and Mr. Wong Fook Lam, Raymond; the Non-executive Directors of the Company are Mr. Wong Yuet Leung, Frankie and Mr. Wong Kun To, Philip; 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