瑞安建業
SOCAM DEVELOPMENT

Stock Code: 983

GROWING IN STRENGTH

PEOPLE

DESIGN AND BUILD

TECHNOLOGY

SUSTAINABILITY COMMITMENTS

SOCIAL VALUE

Annual Report 2020

ABOUT SOCAM

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

CORPORATE VALUES

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

BETTER TOMORROW PLAN 2021 – 2030

Embracing the "Shui On We Care" spirit, SOCAM refreshed the CSR strategy in 2020 and established the "Better Tomorrow Plan 2021-2030", setting the sustainability blueprint for the next ten years. The plan is an important step for the Company as it moves to actualise CSR into a positive impact on the economy, environment and the community, and putting sustainability as part of SOCAM's long-term outlook.

A member of the Shui On Group

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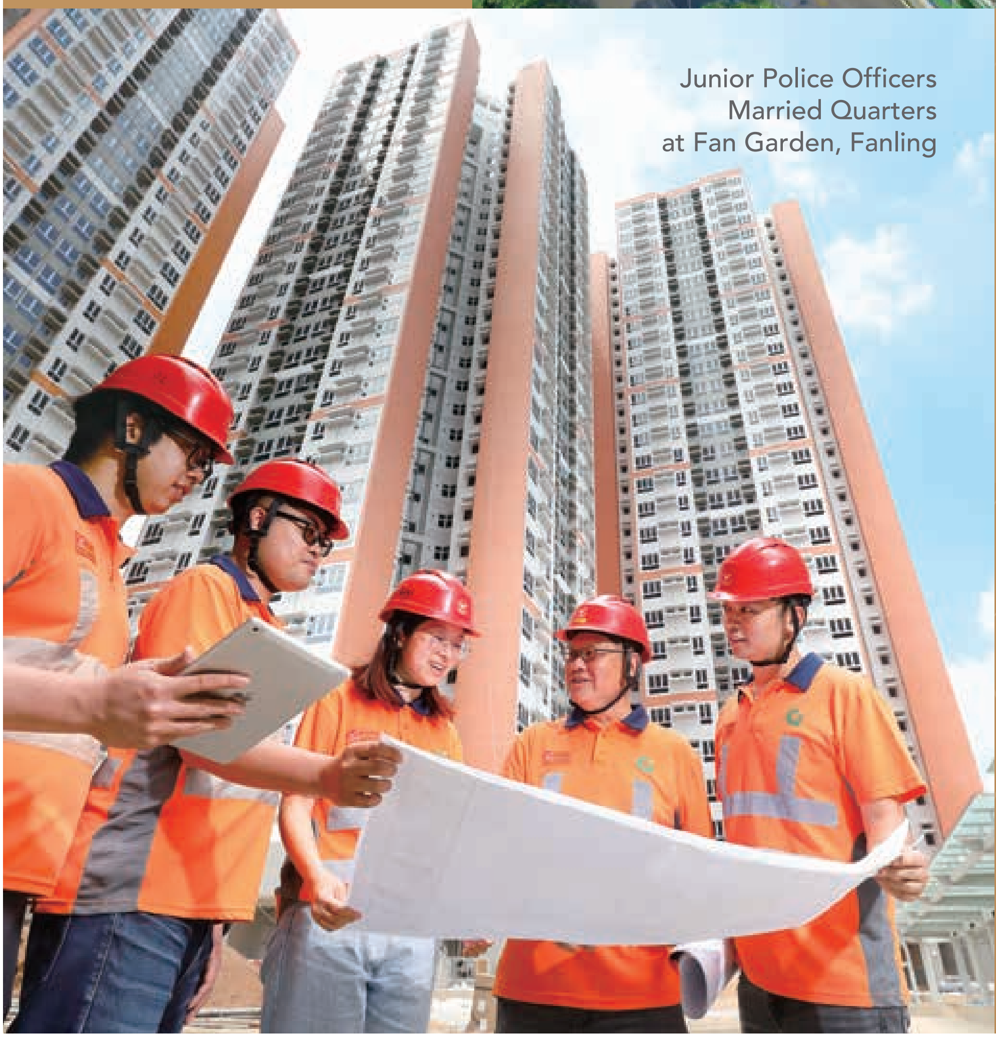
BUILDING
QUALITY



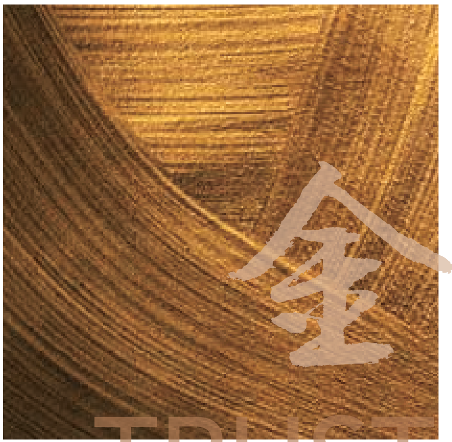
Junior Police Officers
Married Quarters
at Fan Garden, Fanling

COMMUNITY
PLANNING

LIFESTYLE
ENHANCEMENT


Multi-welfare services complex in Kwu Tung North


Public housing development at Fung Shing Street, Wong Tai Sin



TRUST

SOCIAL VALUE

A consistent contribution to building social value through nurturing sustainable human capital, and the building of valuable public facilities with long-term benefits to the local community.

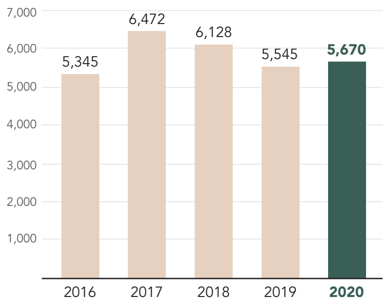
2020 HIGHLIGHTS

FINANCIAL HIGHLIGHTS

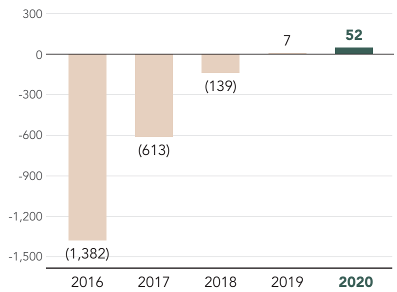
Year ended 31 December

HK$ million	**2020**	2019	2018	2017	2016
Turnover					
SOCAM and subsidiaries	**5,670**	5,545	6,128	6,472	5,345
Share of joint ventures and associates	**9**	22	34	481	1,572
Total	**5,679**	5,567	6,162	6,953	6,917
Profit (loss) attributable to shareholders	**52**	7	(139)	(613)	(1,382)
Basic earnings (loss) per share (HK$)	**0.14**	0.02	(0.31)	(1.27)	(2.86)
At 31 December					
Total assets (HK$ billion)	**9.8**	9.4	10.6	12.0	9.2
Net assets (HK$ billion)	**3.1**	2.8	2.9	3.6	3.8
Net asset value per share (HK$)	**8.37**	7.49	7.52	7.36	7.92
Net gearing	**50.8%**	54.2%	84.9%	53.6%	33.5%

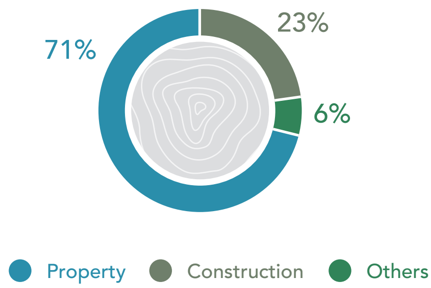
Turnover
HK$ million



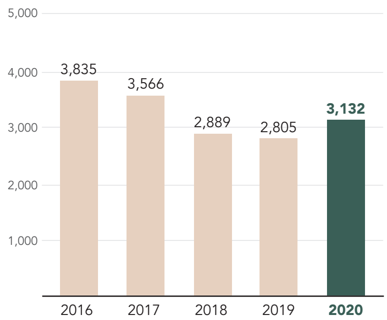
Profit (Loss) Attributable to Shareholders of the Company
HK$ million



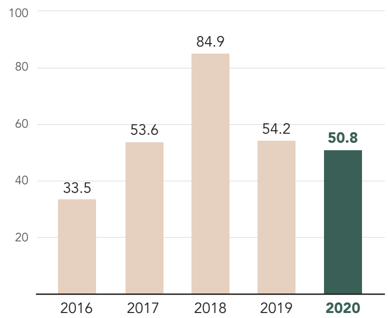
Assets Employed
At 31 December 2020



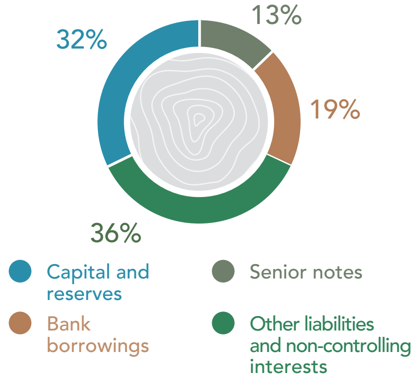
Equity Attributable to Shareholders of the Company
HK$ million



Net Gearing
At 31 December
Percentage



Capital and Liabilities
At 31 December 2020



CONSTRUCTION

Turnover
HK$5.0 billion
▲ 12%

Profit
HK$456 million
▲ 16%

Profit Margin
9%
▲ 0.3%

New Contracts
HK$5.9 billion
▼ 48.7%

Gross Value of Contracts on Hand
HK$23.7 billion
▲ 7%

PROPERTY

Turnover
HK$628 million
▼ 40%

Loss
HK$72 million
▼ 145%

Rental Income
RMB58 million
▼ 15%

Attributable GFA
412,500 sq.m.
▼ 2%

Total Assets
HK$6,954 million
▼ 2%

ENVIRONMENTAL AND SOCIAL

Carbon Emissions
55,622.6 tCO_2e
60,719.1 in 2019

Accident Rate
(per 1,000 workers)
3.88 cases
▼ 27%

Training Hours
18,883
▲ 18.5%

Corporate Donation
HK$1.5 million
▼ 12%

Volunteering Hours
540
▼ 59%

CHAIRMAN'S STATEMENT

SOCAM's base remains solid, with an improved balance sheet and a strong order book. Plans are in place to re-energise our resources to equip ourselves for the future.

Vincent H. S. Lo
Chairman

Dear Shareholders,

The global economy – to varying degrees – suffered severe set-backs throughout 2020 as major countries prioritised ways to contain the spread of COVID-19 over economic expansion. China was the only major economy to navigate through the year with a 2.3% GDP growth; all others were in negative territory by year's end. Most governments have launched massive relief packages to help out businesses and individuals to reinvigorate their economies. The massive roll-out of vaccines in the early part of this year show encouraging signs of overcoming the pandemic, however, first indications of a return to economic growth may not be seen until later in the year.

In the Mainland, the implementation of robust restrictive measures at the initial stage of the COVID-19 outbreak caused the city lockdown, production suspension and restriction of retail activity. Yet China's swift and uncompromising response to the pandemic has since led to an early return of population mobility and business sentiment. Amidst the public health crisis, the Group's retail malls were closed temporarily, and property sales and leasing activities also dropped off significantly.

In Hong Kong, the overall economy registered an unprecedented two consecutive years of negative growth, with the economy shrinking 6.1% in 2020, which is also the largest contraction on record. As the retail, tourism and hospitality sectors were particularly hard hit by the COVID-19 pandemic, the construction industry was subject to only slight delays and disruption to work progress.

In 2020, the Group reported the profit attributable to shareholders of HK$52 million, compared to HK$7 million in 2019. Our construction business in Hong Kong recorded an encouraging growth and achieved a profit of HK$456 million, a 16% increase over the profit of HK$393 million for 2019. Losses in the property business amounted to HK$72 million, compared to a profit of HK$160 million in 2019, largely due to write-down of the fair value of our retail malls.

Overall, SOCAM's base remains solid, with an improved balance sheet and a strong order book. Plans are in place to re-energise our resources to equip ourselves for the future.

Innovation in Construction

Our construction works proceeded apace on the back of the HK$11.5 billion's worth of contracts won in 2019, augmented by the HK$5.9 billion of new construction, maintenance and fit-out contracts secured in 2020 in Hong Kong and Macau. Major progress was made on the public housing projects in Wong Tai Sin and Chai Wan for the Hong Kong Housing Authority, the design and construction of the Junior Police Officers Married Quarters at Fan Garden for the Architectural Services Department, as well as the various building maintenance contracts for the public and institutional sectors.

In 2020, the Group saw further implementation of new construction technology, and reaped the benefits it delivers. The Modular Integrated Construction (MiC) method, by which floor space is broken down into modules, prefabricated in the factory and then assembled on-site, has taken SOCAM's construction methodology to new levels of sophistication. The multi-welfare services complex in Kwu Tung North, as our first project to fully embrace MiC, will deliver 1,750 residential care places and rehabilitation service facilities in just 28 months. This major healthcare facility follows a tradition of SOCAM's ability to build modern and customised facilities for the sick and needy in Hong Kong; previously completed projects for the Hospital Authority in Hong Kong include the Hong Kong Children's Hospital, while the redevelopment of Kwai Chung Hospital (Phase 2) is underway.

The Group sees innovation as the key to success in enhancing our competitive edge in meeting government's contractual requirements and future community needs. SOCAM is taking full advantage of the latest innovations and technology to deliver quality projects that meet client expectations, and are environmentally friendly. Overall, throughout the year, SOCAM's construction business has remained robust and forward-looking.

Paths to Property Portfolio Recovery

In Mainland China, COVID-19 caused dual reversals for our property interests, particularly earlier in the year 2020. Necessary 'lockdowns' stripped each of our four shopping malls of footfall, obliging the Group to offer rental concessions to tenants battered by the temporary mall closure. Further, our plans for disposals were largely put on hold as caution gripped the market.

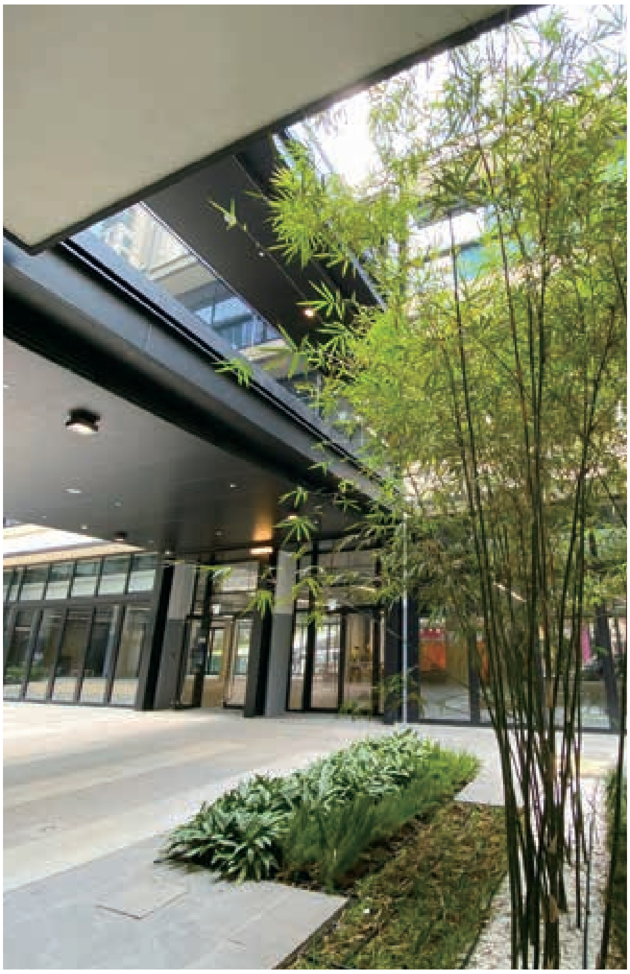
Latter year recovery saw mall footfall return to levels some 28% lower than those pre-pandemic as all retail malls across the Mainland face the challenge of regaining market share after noticeable changes in consumer behaviour triggered by the COVID-19.

Our open-space mall designs are particularly conducive to the rediscovery of the family and social needs for shared entertainment, shopping and eating-out. The Tianjin Veneto, for example, features an Italian style pedestrian street with cafes and exciting blend of pop-up attractions. Other malls of the Group also emphasise the offering of cinemas, fresh markets, F&B outlets and edutainment to cater for all basic community necessities.

The delay in the sales and handover of the retail shops and SOHO units in Tianjin Veneto Phase 2 caused by the COVID-19 pandemic, and fair value losses on the Group's properties brought adverse impact on the property business performance. SOCAM's prospects for recovery of property sales and leasing will much depend on market appetite, which may trend towards the positive.

Sustainability

In 2020, SOCAM introduced its environmental sustainability strategy for the next ten years. Our 'Better Tomorrow Plan 2021-2030' has defined policy aims and established measurable mid-term targets. We view this as our small steps to protect the climate, drive through the necessary changes, and reshape ourselves for sustainable growth. This is also a proactive initiative of the Company as we ensure that our Corporate Social Responsibility culture translates into a positive impact on the economy, environment and society as a whole. As we take our business towards building a more resilient and healthy community, the Group is dedicated to accelerating technological upgrade, reducing our carbon footprint and waste, and creating an environment where our employees can excel.



The Immediate Years Ahead

As post-pandemic global economic recovery becomes apparent, there are likely to be several lasting changes to working practices worldwide, of which less emphasis on commuting will be just one. SOCAM has been quick to adopt and adapt to find opportunities in such changes. Our computer-modelled construction methods and digitalisation of business processes have kept the Company ahead of the competition. The strength of our order book will help produce healthy growth in our construction business to generate turnover, profit and cash flow in the years ahead.

The Group's construction business is well-resourced to tap into the tremendous business opportunities offered by the HKSAR Government's commitment to address the public housing and healthcare needs of the community. The considerable number of term maintenance contracts awarded by the public and institutional sectors will also provide steady income flows in the coming years. Recently, SOCAM has sought increasing collaboration among its business units to create new synergies and enhance competitiveness further. In 2020, the building maintenance arm teamed up with the property management unit to develop and expand into smart facility management, and secured a 3-year contract from the Civil Aviation Department.

The prolonged local social turbulence and COVID-19 pandemic dampened the investment and business sentiment, resulting in a decline in the private sector construction works. We believe the impact of the latter is short-lived, and the enactment of the National Security Law in June last year has become a turning point to restored social stability in Hong Kong. Nevertheless, as

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the upsurge in the unemployment rate alleviates shortage of construction labour, and building materials cost pressure continues to ease due to weak global demand, competition for the public sector construction projects is poised to intensify.

Equally important, and an immediate challenge to the Group, is the management succession. Much effort has been expended in recent years especially on the succession planning for senior executive and management positions. Under the supervision of the Board, the management has worked together to identify potential successors from internal sources, and the plan was proceeding well during the year.

Some Words of Thanks

2021 marks the Shui On Group's 50th Anniversary. From our origins as a small building contractor in Hong Kong, the seagull has taken flight to play our modest part in the remarkable growth and development of the city over the years. In the last two decades, the Group has diversified into special situation property development in the Mainland and excelled in the interior finishing market in both Hong Kong and Macau.

It has been a complex and challenging journey, especially in the past decade. We have gone through periods of turmoil in the global economy, volatility in Mainland China markets, societal upheavals in Hong Kong and currently a pandemic that has, momentarily in time, changed the landscape of our lives.

I therefore wish to thank all staff and business partners, however long you have shared in the goals and values of the Company, for your valuable contributions and support in the past year. The Board joins me in a determination to leave 2020 behind us as we return to the path of sustainable growth and maximising shareholder interest.

Vincent H.S. Lo
Chairman

Hong Kong, 26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

> To embrace future challenges, SOCAM is undergoing organisational change initiatives, and making greater efforts to address external risks and opportunities through integrating sustainability into all aspects of the Group's business operations.

Freddy C. K. Lee
Chief Executive Officer

BUSINESS REVIEW

Market Environment

The global economy was hard hit in 2020. The Group's principal markets are no exception. Battered by the COVID-19 outbreak, China's economy plunged by 6.8% year-on-year (YoY) in the first quarter of the year, the first contraction on record, but has since progressively returned to its pre-COVID-19 trajectory of growth, expanding by 6.5% YoY in the last quarter, largely contributed by the solid domestic investment, buoyant local consumption and surging exports following the swift and stringent epidemic control after the outbreak. Overall, China's GDP posted a 2.3% YoY expansion to RMB101.6 trillion in 2020.

Hong Kong slid into a deeper recession in 2020, with GDP shrinking by 6.1% in real terms against 2019. Private consumption stayed subdued as the threat of COVID-19 and austere labour market conditions continued to weigh on consumer sentiment. Unemployment rate of 6.6% in the fourth quarter of the year hit a 16-year high. Against this backdrop and despite running a forecast record deficit of more than HK$250 billion in this fiscal year, the HKSAR Government remains fully committed to its long-term housing strategy and 10-year hospital development plan to address the critical housing and healthcare issues of the community.

The GDP of Macau for 2020 slumped by 56.3% in real terms against 2019, marking the steepest yearly contraction on record. Domestic consumption plunged, and private investment decreased. The gaming sector, a pillar of Macau's economy, saw a dramatic fall in gaming revenue, prompted by the drastic decline in visitor arrivals due to the pandemic-related travel restrictions.

Financial Results

While SOCAM has been making advances with its turnaround strategy in an effort to restore shareholder value, the progress was stalled by the sudden outbreak of COVID-19 in January 2020, which has disrupted business operations and personal lives worldwide, and led to the biggest slump of world economic output for the year.

Our construction business in Hong Kong achieved an encouraging growth in both turnover and profit, supported by a strong order book. Projects on hand progressed largely on track. However, the sales and leasing performance of our property business in the Mainland saw an obvious setback, as the pandemic not only led to lockdown of cities and closure of shops, but has also triggered far-reaching shifts in consumer behaviour and changes to the business landscape of mall operations in the Mainland. The new issuance of senior notes in January 2020 to refinance the Group's indebtedness with near-term maturities has strengthened the balance sheet and improved the cash position.

The Group reported net profit attributable to shareholders of HK$52 million for 2020, as compared with the HK$7 million profit for 2019. The increase in profit was primarily due to the net foreign exchange gain of HK$169 million mainly arising from the 6.0% appreciation of the Renminbi against the Hong Kong dollar on the Group's property assets, the higher profit contribution from the construction business, and wage subsidies received by the Group under the Employment Support Scheme (ESS) of the HKSAR Government. The property business performance suffered adverse impact of COVID-19, notably the delay in the sales and handover of the retail shops and SOHO units in Tianjin Veneto Phase 2, lower leasing income as a result of rent reliefs offered to the mall tenants, and fair value losses on the Group's property assets.

The Group's turnover for 2020 amounted to HK$5.7 billion, slightly above the HK$5.5 billion for 2019. The construction business was set to benefit from the high level of outstanding workload at the end of 2019, and reported 12% growth in turnover in 2020, while the property business recorded markedly lower rental income and lack of property disposals. In 2020, the construction business maintained a healthy order book with HK$5.9 billion new contracts secured, sustaining continued business and profit growth in the next few years.

Key Corporate and Business Developments

New Issuance and Redemption of Senior Notes

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

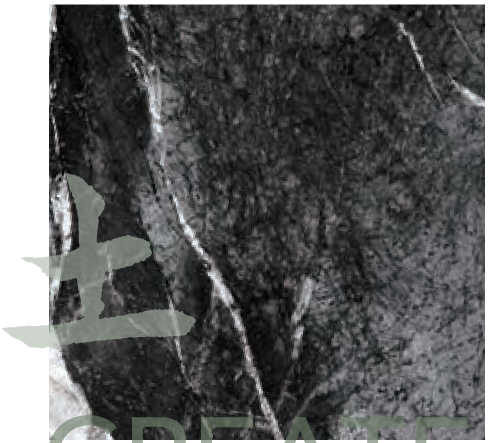
Acquisition of Entire Interests in Tianjin Veneto Project

In July 2020, the Group exercised its options to acquire 90% share interest in Tianjin Veneto, with no further payment, to formalise the Group's holding of the project, instead of merely holding the right to acquire such share interest. At the same time, the vendors exercised the put options previously granted to them requiring the Group to acquire the remaining 10% share interest in Tianjin Veneto. The consideration for the acquisition of such 10% share interest amounted to approximately RMB35.8 million based on independent appraisals of the fair market value of the share interest concerned. Following completion of these transactions in August 2020, the Group holds the entire share interest in this project.

Strengthening Business Sustainability

To embrace future challenges, SOCAM is undergoing organisational change initiatives, and making greater efforts to address external risks and opportunities through integrating sustainability into all aspects of the Group's business operations. Such initiatives aim at bettering our economy, environment and community, and address, in particular, the risks of an ageing workforce, retention of talents, and change in skills. Specific emphasis is given to innovations and technological upgrades to enhance productivity and the recruitment and development of construction talents. Amongst other things, we strive to reduce carbon emissions and enhance waste management through both quantitative and directional objectives, and constantly monitor our safety performance for further improvement.

Amidst a rising unemployment rate, the Group continues to create more job opportunities to cope with the expanding workload of our construction business, and in a continuous effort to nurture construction talents, SOCAM has rolled out new learning and development initiatives with the use of online learning platform, executive development and external training programmes to ensure the roadmap for effective succession planning be implemented. We also accelerate the upgrade of information technology infrastructure and digitalisation to further improve productivity and efficiency.



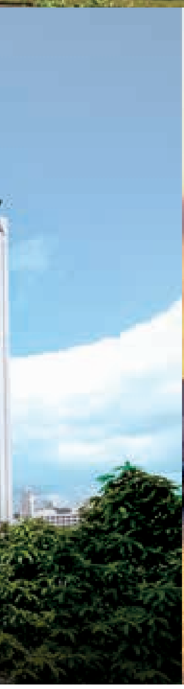
CREATE

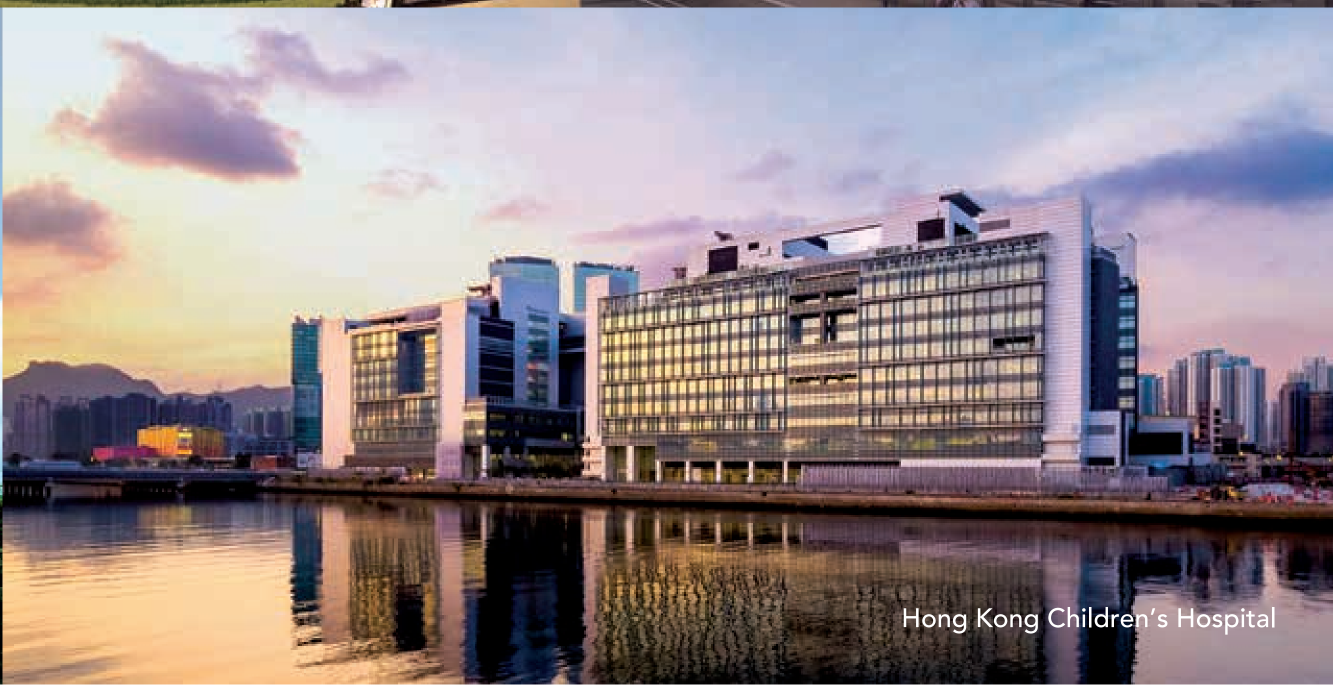
DESIGN & BUILD

Our design-and-build capabilities allow tight control of project realisation from the building concept through to construction completion and delivery.


Redevelopment of Kwai Chung Hospital (Phase 2)


West Kowloon Law Courts Building





Hong Kong Children's Hospital

建築 CONSTRUCTION

Multi-welfare services complex in Kwu Tung North

MARKET REVIEW

Hong Kong's construction industry has suffered significant setback since the second half of 2019 when waves of social turbulence took place, and the situation has deteriorated following the outbreak of COVID-19 in January 2020. The construction industry saw its fourth consecutive year of contraction in 2020, as total expenditure on building and construction in the public and private sectors continued to shrink. The construction unemployment rate surged to 10.7% in December 2020, the highest level since 2006, compared to 5.6% in December 2019, easing the shortage of construction workers. Construction materials costs also showed downward adjustment on weak global demand. The lack of sites for public housing construction resulted in tenders released by the Hong Kong Housing Authority (HKHA) in 2020 falling short of its housing supply projection. Delays in approving funding in the Legislative Council (Legco) of the HKSAR continued for almost the whole year of 2020, slowing down the tendering and award of other government projects. All these have severely intensified the market competition during the year.

The housing and healthcare issues in Hong Kong are of utmost concern to the community. As mentioned in the Chief Executive's Policy Address in November 2020, the HKSAR Government has identified 330 hectares of land for providing 316,000 public housing units in the coming ten years from 2021-22 to 2030-31. In addition, the Government has also committed to providing 15,000 transitional housing units within the next three years. The Legco, in March 2020, approved HK$5 billion funding to help non-government organisations (NGOs) to build and run transitional housing units for low-income residents on the waiting list for public housing. A steady flow of public housing contracts is expected from the HKHA and NGOs in the coming years.

The HKSAR Government's HK$200 billion first 10-year hospital development plan is in full swing. It has also earmarked around HK$300 billion for the second 10-year hospital development plan. These two hospital development plans, taken together, aim to provide over 15,000 additional hospital beds and more than 90 operating theatres to meet the projected demand for public healthcare service up to 2036. Our construction business stands to benefit from the significant tendering opportunities arising from the healthcare sector as well.

The maintenance and minor works on the buildings and facilities of the government departments/organisations and institutions in Hong Kong were less affected by the social, economic and market conditions. The term contracts from this niche market segment continued to offer stable stream of work for maintenance contractors, yet competition has become increasingly fierce amid a shrinking construction industry as a whole.

The recession in Macau deepened in 2020, with the gaming industry hard hit by the COVID-19 outbreak. Gross gaming revenue plunged by 79.3% YoY in 2020 as tourist arrivals slumped primarily caused by the epidemic-induced quarantine measures and the Mainland's restriction on tourist visa to the world's biggest gambling hub. Faced with the challenging business environment, some corresponding adjustments were made by operators to their plans for revamps and rolling refurbishments of the casino hotels.

IMPACT OF COVID-19 PANDEMIC

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

Apart from worksite safety, the health and well-being of our employees and business partners are also our primary concern. A number of precautionary measures have been put in place to manage the risks at our offices and construction sites, thereby providing a safe working environment for our staff and workers as well as our clients, suppliers and sub-contractors while ensuring continued operation without undue disruptions. These included installing thermographs to measure body temperature of employees and visitors at the office/site entrances, enforcing the wearing of face masks and physical distancing to the extent possible, distributing over 200,000 face masks to our staff and workers during the critical period, adopting flexible work arrangements, maintaining vigorous personal and environment hygiene at workplaces, and encouraging site staff to conduct voluntary COVID-19 testing. We have adhered to the health and safety guidelines issued by the public health authorities and our clients in a bid to minimise the risks of contracting and spreading of the coronavirus at the workplaces.

We are vigilantly attentive to our rights and obligations under the construction contracts, while mitigating all possible losses. We anticipate the additional cost incurred in implementing the health and safety measures at workplaces and accelerating the work progress of the affected construction projects to be relatively not significant.

The Group's construction companies received HK$48 million wage subsidies under the ESS of the HKSAR Government during the year, subsidising the employee payroll. To capture the business opportunities ahead amid the tough market conditions, we have also expanded investment in strengthening the training and development of our construction workforce, and adopting new innovations and technology to enhance our competitive edge.

ADOPTION OF NEW TECHNOLOGY AND SAFETY

The construction industry plays a significant role in the economic growth and development of a city. The HKSAR Government has been proactively implementing the "Construction 2.0" initiative to facilitate the professionalisation and revitalisation of the construction industry with wider adoption of technology. The Construction Industry Council has also set up a HK$1 billion Construction Innovation and Technology Fund to help industry participants to harness automation and innovative technologies. Increasing number of government construction contracts require the tenderers to specify their technical capability, with the use of Building Information Modelling (BIM) technology becoming mandatory. SOCAM continues to place utmost importance on technological advancement, and has expanded the use of new technology to raise operational efficiency and reduce cost.

During the year, we continued to initiate innovative solutions and monitor closely the implementation of new construction technologies and Modular Integrated Construction (MiC) in our construction projects, the first one being the multi-welfare services complex in Kwu Tung North. We believe the Group's first project with full MiC application will position SOCAM as an industry pioneer in implementing sustainable construction. In addition, we are exploring the adoption of Design for Manufacturing and Assembly, Prefabricated Prefinished Volumetric Construction and artificial intelligence, as well as use of suitable robots in selected construction processes. These technology advances are expected not only to uplift the productivity, build quality, site safety and environmental performance of our construction jobs, but also cope with new contract requirements of government projects and reduce the labour component.

Further progress has been made on the application of BIM during 2020. Following the establishment of our office in Zhuhai in 2019 to strengthen the Group's in-house design and technical capabilities, it is a strategic move to enhance its competitiveness in tendering for the growing number of design-and-construction jobs from the HKSAR Government and other clients. We have increased investment in strengthening and nurturing the BIM team, which plays a pivotal role in facilitating the wider adoption of BIM technology in our building and interior fit-out projects going forward.

Revitalisation of Central Market

Apart from construction technology, we are migrating to a web-based, secure electronic process for payment to our suppliers and sub-contractors, from online payment application, works progress report submission, payment approval to full back-end integration with our accounting system, to raise operational efficiency and reduce cost.

Safety has always been a top priority for SOCAM. With our continued efforts in promoting and strengthening safety at worksites, our performance improved further. We recorded an accident rate of 3.88 per 1,000 workers in 2020, which hit the lowest on our records and is well below the industry average of 29 per 1,000 workers, the latest record in 2019.

Our efforts have earned us industry recognitions. During the year, Shui On Building Contractors Limited (SOBC) and Shui On Construction Company Limited (SOC) were awarded the Proactive Safety Contractor Award from the Hong Kong Construction Association (HKCA) in the HKCA Construction Safety Awards 2019. In addition, SOBC's term contract for the design and construction of minor building and civil engineering works for CLP Power Hong Kong Limited (CLP) garnered the Gold Award and Outstanding Performance in Work-at-height Safety Prize in Minor Renovation and Maintenance Works in the Construction Industry Safety Award Scheme 2019/2020 organised by the Labour Department.

We were also recognised for our innovative solutions to promote construction safety. SOBC received a Gold Award in Safety Operational Device for its NB-IoT safety alert system at the Innovative Safety Initiative Award 2020 jointly organised by the Development Bureau, the Construction Industry Council and the HKCA.

SOBC's term contract for the design and construction of minor works on government and subvented properties for which the Architectural Services Department (ASD) is responsible (contract area: Hong Kong Island, Lantau Island and Outlying Islands (South)) received the Green Contractor Award (Term Contract) 2019 from the ASD in recognition of its excellence in environmental performance on construction sites. Hong Kong Children's Hospital, a joint venture design and build project completed in 2017, was upgraded to Final BEAM Plus Platinum, further recognising the sustainable features and energy-efficient installations of the project.

OPERATING PERFORMANCE

The Group's construction business reported considerable increases in turnover and profit in 2020. Riding on SOCAM's solid presence in the market, the Group has maintained a healthy order book during the year amid the difficult market environment, and continues to go from strength to strength.

The business recorded a profit of HK$456 million for 2020, a 16% increase over the profit of HK$393 million for 2019. Turnover for 2020 amounted to HK$5.0 billion, a 12% rise on the HK$4.5 billion for 2019. Pre-tax profit margin increased slightly to 9.0% in 2020, from 8.7% in 2019.

Profit	Turnover	Profit Margin
HK$456 million	HK$5.0 billion	9.0%
▲ 16%	▲ 12%	▲ 0.3%

New Contracts Awarded and Workload

New contracts awarded (HK$)

2020 5.9 billion
2019 11.5 billion

Gross value of contracts on hand (HK$) as of 31 December

2020 23.7 billion
2019 22.1 billion

Gross value of contracts to be completed (HK$) as of 31 December

2020 16.2 billion
2019 15.1 billion


Junior Police Officers Married Quarters
at Fan Garden, Fanling

The Group's order book remained strong. During 2020, a number of new construction, maintenance, fit-out and renovation contracts in Hong Kong and Macau worth a total of HK$5.9 billion were secured amid intensifying market competition, as compared with the HK$11.5 billion awarded in 2019 which hit record high in recent years. More details of the new contracts will be provided under the respective companies below.

The gross value of contracts on hand and the value of outstanding contracts remained strong. As at 31 December 2020, the gross value of contracts on hand was HK$23.7 billion and the value of outstanding contracts to be completed was HK$16.2 billion, compared with HK$22.1 billion and HK$15.1 billion respectively as at 31 December 2019. The strong order book will help produce healthy growth in turnover, profit and cash flow in the coming few years.

During 2020, the Group's construction projects continued apace and on schedule. Details of the major construction projects in progress as well as those completed during the year will be provided under the respective companies below.

Shui On Building Contractors Limited

SOBC is a leading building contractor in public housing construction in Hong Kong. Since 1981, it has completed numerous public housing units as well as shopping centres and public amenities in government estates, often pioneering new town developments. Its subsidiary, Pacific Extend Limited (PEL), established in 2000, principally undertakes maintenance and minor works for government organisations and institutional clients in Hong Kong.

New Contracts

New contracts secured by SOBC and PEL during 2020 totalled HK$3,430 million, which included:

- a 3-year district term contract for maintenance, improvement and vacant flat refurbishment works for public housing estates at Wong Tai Sin, Tsing Yi and Tsuen Wan, awarded by the HKHA (HK$442 million);
- a 3-year district term contract for maintenance, improvement and vacant flat refurbishment works for public housing estates in Kowloon East Area 2, awarded by the HKHA (HK$396 million);
- two 3-year district term contracts for maintenance, improvement and vacant flat refurbishment works for public housing estates in Tai Po, North and Shatin, awarded by the HKHA (HK$637 million in total);
- a 3-year district term contract for maintenance, improvement and vacant flat refurbishment works for properties managed by the district maintenance offices in Kowloon West and Sai Kung, awarded by the HKHA (HK$389 million);
- a 5-year term contract for maintenance, improvement and refurbishment works for buildings at the Hong Kong International Airport, awarded by Airport Authority Hong Kong (HK$159 million);
- a 2-year term contract for architectural and building works for MTRC railways and premises in Hong Kong, awarded by the MTR Corporation Limited (MTRC) (estimate HK$150 million);
- a 3-year term contract for reinforced concrete and building structure refurbishment works at the power stations in Castle Peak, Black Point and Penny's Bay, awarded by CLP (estimate HK$150 million);
- a 3-year term contract for design and construction of minor building and civil engineering works at CLP's premises, awarded by CLP (estimate HK$300 million);
- a 3-year term contract for distribution cable trenching and laying works in Yuen Long and Tuen Mun awarded by CLP (estimate HK$450 million); and
- a 3-year term contract for transmission cable trenching and laying works in Kowloon and New Territories awarded by CLP (estimate HK$300 million).

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

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

Completed Contracts

SOBC completed the following construction contracts for the HKHA:

- the public housing project at Fung Shing Street, Wong Tai Sin, which provides 754 public rental housing units and ancillary facilities; and
- the public housing development at Wing Tai Road, Chai Wan, which offers 826 public rental housing units and ancillary facilities,

while PEL completed a number of term contracts for the HKHA, Education Bureau, MTRC and CLP.

During the year, PEL joined forces with Shui On Properties Management Limited (SOPM), in a strategy to leverage PEL's diverse client base and strong capabilities in building maintenance and SOPM's expertise and experience in property management, to provide smart facility management services to buildings and facilities of government departments/organisations, institutions and corporates in Hong Kong. Innovative and technology-aided solutions will be offered to the premises under management to enhance sustainability, increase automation and energy efficiency and strengthen security control and traffic management, among others.

Shui On Construction Company Limited

SOC has extensive experience in the construction of commercial and institutional projects for government and major clients, including office buildings, hospitals, luxury hotels and shopping centres, as well as universities, arts and sports facilities and recreational parks.

During the year, the joint venture established between SOC and SOBC (Shui On Joint Venture) secured the HK$1,465 million contract from the ASD for the design and construction of a new building for the Drainage Services Department (DSD) at the Cheung Sha Wan Sewage Pumping Station which, upon completion in 2024, will accommodate the office and other facilities of the DSD and Social Welfare Department.

SOC proceeded well with its contract from the ASD for the design and construction of the Junior Police Officers Married Quarters at Fan Garden, which will be completed in 2021. In addition, works on the two design and construction contracts awarded to the Shui On Joint Venture in December 2019, namely, the redevelopment of Kwai Chung Hospital (Phase 2) for the Hospital Authority in Hong Kong and provision of a purpose-built multi-welfare services complex for the elderly at Kwu Tung North for the ASD, have progressed on track.

SOC completed Phase 1 of the Central Market Revitalisation Project for the Urban Renewal Authority during the year.

Pat Davie Limited

Pat Davie Limited (PDL) is recognised as a market leader in fast-track, high quality interior fitting out for large clients, including corporate offices, hotels, banks, clubs, retail outlets and shopping arcades. It provides a full range of services, including design-and-build tailored to meet individual client's needs.

PDL continues to be very active in the highly competitive fit-out and refurbishment markets of both Hong Kong and Macau. In 2020, it secured a total of 33 new contracts with an aggregate value of HK$1,007 million primarily in the commercial and institutional sectors in Hong Kong, and maintained a healthy order book. PDL remained cautious about the possible adjustments to the refurbishment plans of the casino hotels in Macau where the gaming industry has been hard hit by the COVID-19 pandemic.

Interior fitting-out for Galaxy Macau

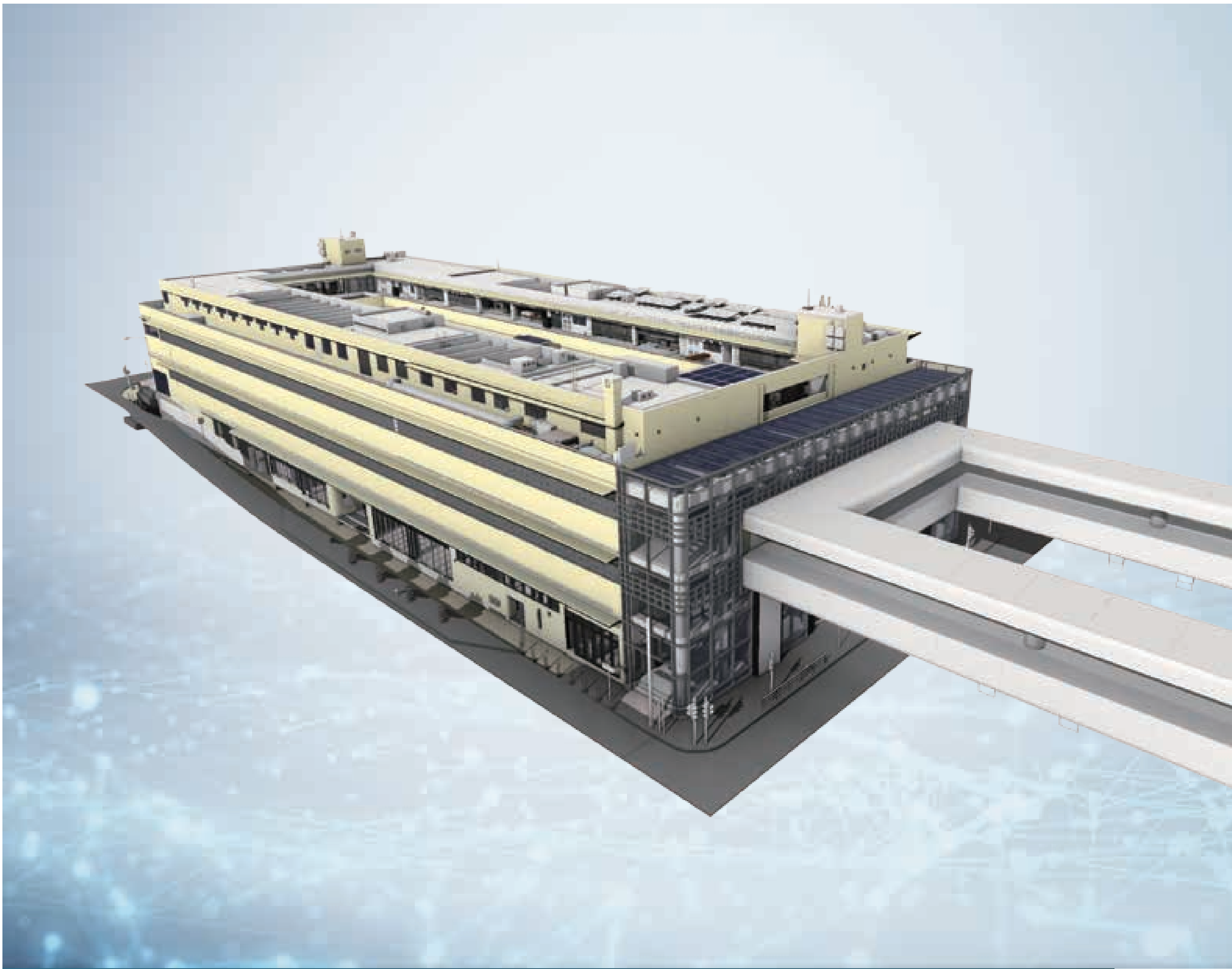
New Contracts

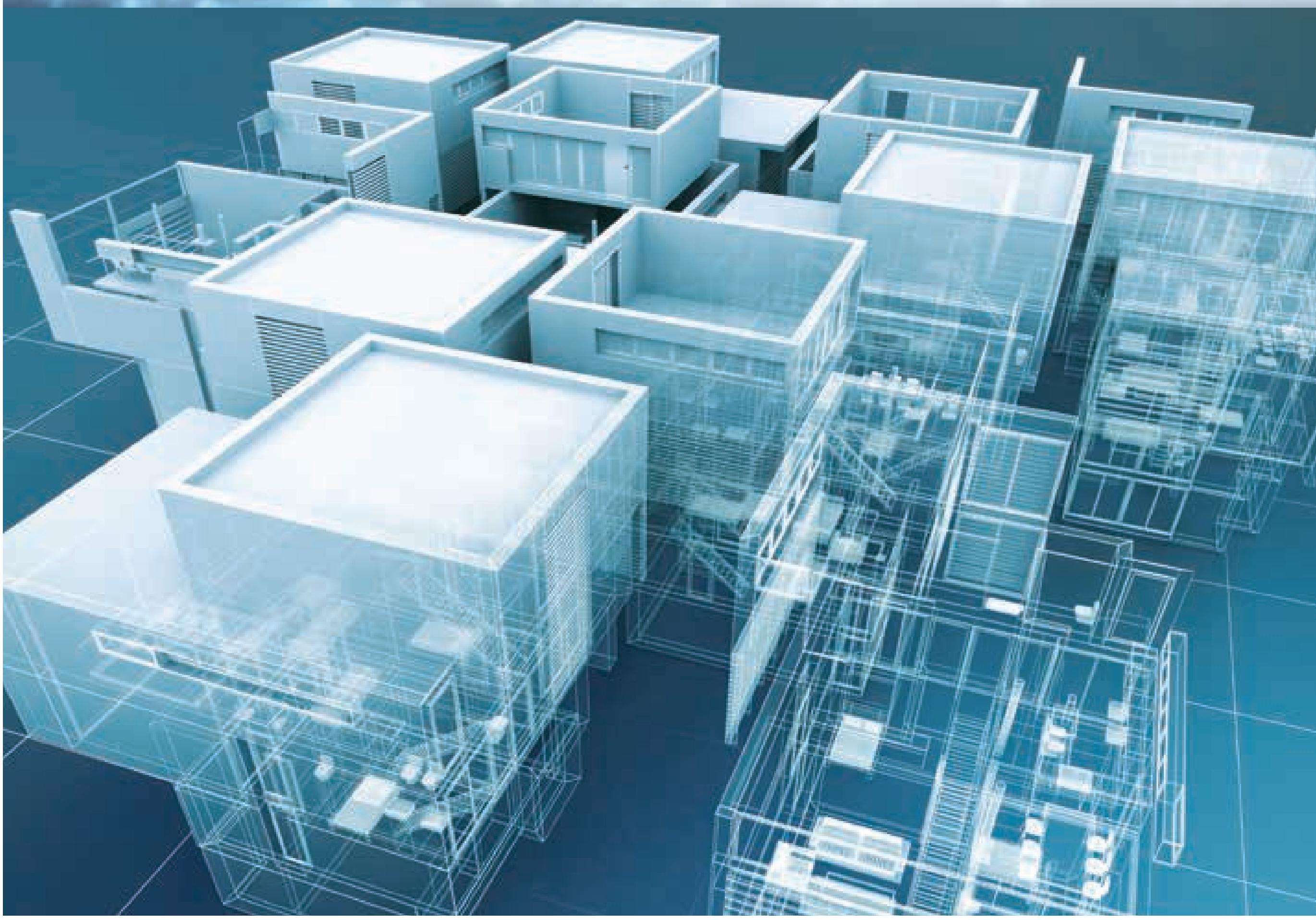
The major contracts secured during the year included:

- Fit-out works on The Hong Kong Palace Museum for the West Kowloon Cultural District Authority;
- Wholesale conversion of West Gate Tower in Cheung Sha Wan;
- Façade and windows improvement works on Electric Tower for The Hongkong Electric Co., Ltd.;
- Hotel guestrooms refurbishment and restaurant renovation works on EAST Hong Kong for Swire Properties Management Limited;
- Builder's works for data center conversion project (stage 2) of PCCW Limited (PCCW) in Fotan;
- Asset enhancement works on Tai Wo Plaza of Link Asset Management Limited in Tai Po;
- Fit-out works on Shakespeare Hall in The Londoner Macao; and
- Restaurant and hall refurbishment works on Galaxy Macau.

Despite the various delays and disruptions caused by the COVID-19 pandemic to the work progress, PDL managed to deliver the projects on schedule and within budget. Contracts worth a total of HK$473 million and HK$201 million were completed in Hong Kong and Macau respectively during 2020. Notable ones included the fitting out of the new Incubation Centre in the Hong Kong Science Park, client centre at HSBC Main Building and food bazaar at Hong Kong International Airport Terminal 1, builder's works on the data centre of PCCW in Fotan, Hong Kong, and refurbishment works on Wynn Macau.

Subsequent to the year-end, PDL secured a number of new contracts primarily in Hong Kong, worth a total of HK$260 million, which included the supply and installation of protective barriers at Festival Walk and fit-out works on a business centre and wet laboratory conversion at Hong Kong Science Park and builder's works for 5G provisions for Phase 2A at Hong Kong International Airport.





INNOVATE

TECHNOLOGY

We continuously innovate to improve business processes and inspire new ways of thinking with the use of technology to help the Company drive the change.

房地產

PROPERTY

Tianjin Veneto

MARKET REVIEW

In Mainland China, retail sales of consumer goods decreased by 3.9% YoY to RMB39.2 trillion in 2020, as the COVID-19 pandemic severely hampered consumer sentiment particularly for the first half of the year; yet a return to growth was seen in the second half. Online retail sales, however, soared by 10.9% YoY to reach RMB11.8 trillion.

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

IMPACT OF COVID-19 PANDEMIC

The shopping malls of the Group were closed temporarily shortly after the Chinese New Year under the local government directives, and met with varying degrees of severity amid the public health crisis. While Shenyang Tiandi was partially re-opened in mid-February 2020, our malls in Chengdu and Chongqing were allowed to re-open gradually from mid-March 2020. Tianjin Veneto was subject to more stringent government restrictions, and was worst-hit. It was re-opened partially in late March 2020. However, tenants engaged in cinema and child/education-related businesses, which accounted for a relatively high proportion in our malls, were only allowed to resume operation during July - August 2020 for strict crowd control. The resurgence of the coronavirus cases in Beijing in June and December 2020 brought about a dip in the footfall at Tianjin Veneto again. The pandemic caused a massive decline in the customer footfalls at our malls and our tenants' businesses in the first half of 2020, but gradual recovery was seen from the third quarter.

Construction works on the retail shops and SOHO units in Tianjin Veneto Phase 2 were suspended, while sales were disrupted, between late January and early April 2020. Handover of the pre-sold units, and recognition of resultant sales profit, have been put off from the scheduled first half of 2020, to December 2020 and the first quarter of 2021.

We offered rental and property management fee concessions in an aggregate amount of approximately RMB11 million and provided other support measures to the tenants of our office and shopping malls battered by the COVID-19 outbreak during the year in a move to help them survive and fight the epidemic, while mitigating the adverse impact on the mall operations.

On the other hand, the local government authorities granted exemption of property tax, social welfare contributions and various government fees to help reduce the financial burden of businesses amid the pandemic, and the Group's entitlements totalled RMB11 million for the year.


Shenyang Tiandi

OPERATING PERFORMANCE

The Group's property business recorded a loss of HK$72 million for 2020, including HK$130 million valuation and impairment losses of our property portfolio, compared with the profit of HK$160 million for 2019. Total turnover for 2020 amounted to HK$628 million, comprising sales revenue of HK$433 million, gross leasing income of HK$92 million and Hong Kong property management services income of HK$103 million, as compared with total turnover of HK$1,052 million for 2019.

Property Portfolio

As of 31 December 2020, the Group owned six projects in Mainland China, which are summarised in the table below. The Group's property portfolio comprised a total gross floor area (GFA) of 412,500 square metres, of which 395,600 square metres GFA were completed properties, and 16,900 square metres GFA were currently under development.

Location	Project	Residential/ Villa (sq.m.)	SOHO/ Office (sq.m.)	Retail (sq.m.)	Carparks & Others (sq.m.)	Total GFA* (sq.m.)	Estimated completion year
Chengdu	Centropolitan	–	33,300	43,000	86,400	162,700	Completed
Chongqing	Creative Concepts Center	–	–	21,000	9,900	30,900	Completed
Guangzhou	Parc Oasis	–	–	300	4,600	4,900	Completed
Nanjing	Scenic Villa	12,400	–	–	11,900	24,300	2022
Shenyang	Shenyang Project Phase I	–	1,600	62,200	25,800	89,600	Completed
Tianjin	Veneto Phase 1	–	–	63,600	2,500	66,100	Completed
	Veneto Phase 2	–	4,200	29,800	–	34,000	Completed
Total		**12,400**	**39,100**	**219,900**	**141,100**	**412,500**	

* The GFA shown excludes sold and delivered areas.

Chengdu Centropolitan

The property portfolio of the Group at 31 December 2020 mainly consisted of the following:

- A shopping mall, an office tower and car parking spaces in Chengdu Centropolitan, which is a large-scale mixed-use development situated in Chengdu's CBD, with all residential and SOHO units sold after completion in 2017;
- A shopping mall and car parking spaces in Chongqing Creative Concepts Center, which is a composite building close to the busy Jiefangbei Square in the heart of Chongqing, with all residential and office units sold after completion in 2010;
- A shopping mall and car parking spaces in Shenyang Project Phase I, which is a large-scale mixed-use complex located on the "Golden Corridor" in Shenyang, with all residential and serviced apartments as well as over 97% office units sold since completion in 2013;
- A European-style outlet shopping centre in Tianjin Veneto Phase 1 located near Tianjin's Wuqing Station on the Beijing-Tianjin intercity railway line, which has been fully operational since 2015; and
- Retail shops and SOHO units in Tianjin Veneto Phase 2, which is adjacent to Veneto Phase 1 and construction was completed in 2020.

Property Sales

In 2020, the Group recognised revenue of HK$433 million (2019: HK$869 million) and profit of HK$122 million (2019: HK$124 million) from property sales, which were mainly contributed by the Tianjin Veneto Phase 2 and Nanjing Scenic Villa projects.

Chongqing Creative Concepts Center

Major property sales in the Mainland by project during the year:

Project	2020			2019		
	Contracted sales		Handover	Contracted sales		Handover
	Contracted amount* (RMB million)	GFA sold/ carparks sold (sq. m.)/(no.)	GFA delivered/ carparks delivered (sq. m.)/(no.)	Contracted amount* (RMB million)	GFA sold/ carparks sold (sq. m.)/(no.)	GFA delivered/ carparks delivered (sq. m.)/(no.)
Nanjing Scenic Villa						
Residential/villa	13	440	3,433	392	18,820	35,720
Carparks	4	36 units	34 units	3	32 units	33 units
Tianjin Veneto Phase 2						
Retail	18	500	6,787	251	7,230	–
SOHO	86	7,820	8,649	29	2,450	–
Chengdu Centropolitan						
Kindergarten**	–	–	3,560	46	3,560	–
Carparks	3	18 units	18 units	77	466 units	466 units
SOHO	–	–	–	–	–	200
Shenyang Project Phase I						
Carparks***	5	28 units	26 units	–	–	–

* VAT inclusive
** Classified as investment property, the sales of which were not regarded as turnover
*** Partially classified as investment property, the sales of which were not regarded as turnover

At Nanjing Scenic Villa, property sales revenue recognised in 2020 amounted to RMB76 million, comprising 12 villas, with a total GFA of 3,433 square metres, and 34 car parking spaces. Up to 31 December 2020, nearly all of the villas and 88 car parking spaces of this lakeside low-rise apartment project located in Nanjing's Jiangning District, were sold and handed over to buyers, with 2 villas and 153 car parking spaces remaining unsold.

The Group contracted strata-title sales of 13 retail shops and 117 SOHO units, with a total GFA of 8,320 square metres, in Phase 2 of Tianjin Veneto for a total sales amount of RMB104 million during 2020. As at 31 December 2020, out of a total of 486 retail shops and 184 SOHO units, sales of 203 retail shops and 153 SOHO units with respective total GFA of 7,730 square metres and 10,270 square metres were contracted for total sales amounts of RMB269 million and RMB115 million respectively, following the sales launch in stages since January 2019. Construction of the retail shops and SOHO units was completed in the fourth quarter of the year, and handover of 187 retail shops and 129 SOHO units with total GFA of 6,787 square metres and 8,649 square metres respectively to buyers took place in December 2020.

The Group has stepped up marketing effort to push for the sales of the stocks in the Nanjing Scenic Villa and Tianjin Veneto Phase 2 projects.

In January 2020, the Group handed over the kindergarten premises in Chengdu Centropolitan, with 3,560 square metres GFA, to EtonHouse Education Services (Chengdu) Co. Ltd. for the sales consideration of RMB45.5 million. The gain on disposal of this property was already reflected in the consolidated statement of profit or loss through the fair value uplift of an investment property in 2019.

Rental Performance

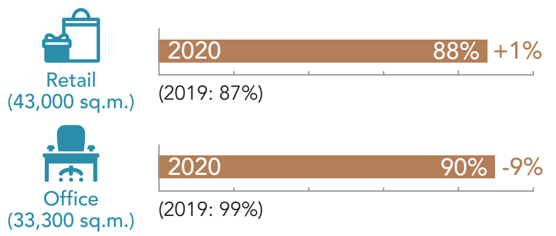
Total gross rental income before deduction of applicable taxes from the Group's retail and office properties in the Mainland for 2020 amounted to RMB58 million, down 15% from RMB68 million for 2019, mainly due to the rental concessions offered to tenants of the Group's leasing premises because of the COVID-19 outbreak. Tianjin Veneto suffered from the largest rental decrease because it was closed between 29 January 2020 and 27 March 2020, and most of its major tenants are subject to turnover rent and their businesses are severely affected by the crisis.

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

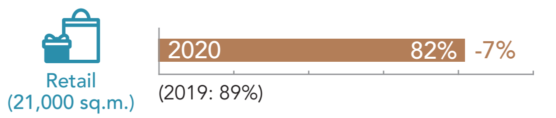
Project	2020	2019
	(RMB million)	(RMB million)
Chengdu Centropolitan		
Retail	10.1	12.8
Office	22.0	21.9
Chongqing Creative Concepts Center		
Retail	4.5	6.7
Shenyang Tiandi		
Retail	8.8	10.6
Tianjin Veneto Phase 1		
Retail	12.3	15.8

Occupancy Rates of Retail and Office Properties in Mainland China as of 31 December:

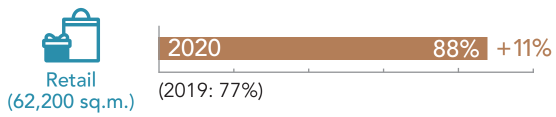
Chengdu Centropolitan



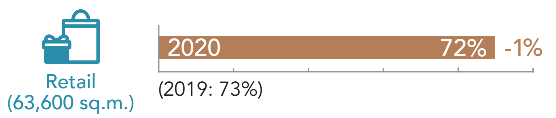
Chongqing Creative Concepts Center



Shenyang Tiandi



Tianjin Veneto Phase 1



Amidst the severe market conditions, we have built a stronger landlord/tenant relationship and seen relatively steady occupancies in most of our shopping malls during the year. In Shenyang Tiandi, the opening of a supermarket raised the mall occupancy by approximately 7% from October 2020.

Occupancy of the office tower at Chengdu Centropolitan stood firm at 99% up to the end of May 2020, but dropped to 90% as at 31 December 2020, following the move-out of a financial services tenant, accounting for approximately 6% occupancy, in November 2020, with due compensation before expiry of the lease.

Asset Enhancement Initiatives

SOCAM set different strategies for our asset enhancement initiatives at different stages of the COVID-19 pandemic. In April 2020 when the pandemic started to ease, we introduced a series of measures to capture opportunities arising from the retail rebound driven by pent-up demand. To improve the shopping experience of visitors, we enhanced the interior design of our malls by introducing more green and modern features. We also upgraded the existing functional facilities including escalators and lighting. In addition, more entertainment elements were introduced for local communities, such as recreational facilities for children. A series of new promotional events including outdoor concerts, summer fiestas and farmers' markets, were organised.

Property Management

Shui On Properties Management Limited (SOPM) has been managing a diversified portfolio of premises in Hong Kong, comprising residential estates, grade-A office building, industrial building, schools, shopping centres, cultural facilities and carparks, with over 25,000 housing flats/commercial and industrial units involving an aggregate GFA of over 500,000 square metres. SOPM contributed stable income and cash flow to the Group during the year.

In November, SOPM secured a 3-year contract from the Civil Aviation Department for the provision of facility management services to the Department's premises, with a contract sum of HK$53 million. It is well-equipped to pursue further business opportunities with potential clients in the aviation industry to tap the growing demand for such services.

SOPM is proceeding with the change of its name to Pacific Extend Properties Management Limited in the first half of 2021, as part of its repositioning strategy to diversify from the current focus on managing residential estates towards facilities management of commercial buildings with greater use of technology to enhance productivity, and have a more balanced portfolio.

OUTLOOK

The COVID-19 pandemic, coupled with new variants popping up, remain a key threat to the global economy in the short run. Yet, the gradual roll-out of massive vaccination campaign in many countries since the first quarter of 2021 offers a ray of hope and is widely expected to give a big boost to the global economy this year. Nevertheless, the evolving China-US relations under the Biden administration, heightened geopolitical tensions and the rise of de-globalisation, undoubtedly, add considerable uncertainty to the global economic outlook.

China returned to the growth track in the second quarter of 2020 and has become the first major economy to recover from this public health crisis, after the most comprehensive and strictest measures were taken to control the pandemic as well as the sporadic resurgences across the country. Daily life is currently nearing pre-pandemic normality. While the Mainland economy's recovery is largely fueled by the resilient export sector, domestic consumption has, however, remained sluggish. In the wake of the increasingly complex external environment and weakening international market with rising protectionism, the Central Government has rolled out the "dual circulation" strategy, which focuses on realising the potential of the huge domestic market, while drawing in foreign investment and stabilising trade, in a bid to attain more vigorous and sustainable economic development.

Given the external environment, economic conditions in Hong Kong remain austere. The fourth wave of local epidemic continues to weigh on consumer sentiment and disrupt economic activities, and the labour market comes under persistent pressure. The relief measures of unprecedented scale taken by the HKSAR Government in 2020 to help hard-hit business sectors and individuals tide over the difficult times are bound to have short-term effect only. While the Government continues with its counter-cyclical measures, the huge budget deficit in 2021-22 will preclude it from increasing public spending considerably to introduce more relief measures and shore up the economy.

The impact of the public health threat is yet to be known. SOCAM, like most companies, will have to cope with the challenging market conditions for some time to come. We foresee a contraction in the private sector construction projects in the next few years, while more tendering opportunities will come from the public sector to address the imminent housing and healthcare needs as well as the counter-cyclical measures, where SOCAM stands to benefit. Unemployment rate is set to upsurge progressively, easing the shortage of construction labour. The global economic downturn will exert downward pressure on building material prices. All these set the scene for more severe market competition for the public sector construction contracts.

Amidst this unprecedented crisis, SOCAM takes the opportunity to enhance the organisation and business sustainability, and sharpen its focus on the booming public sector construction in Hong Kong. We believe our construction business will usher in a tide of opportunities in the coming years. To cope with the increasing workload, we are committed to expanding our construction workforce with more young up-and-comers, strengthening learning and development, and raising investment in nurturing talents, which will also facilitate the Group's succession planning over the longer term.

We will continue to expand our health and safety, and design-and-build capabilities to harness the new trends and opportunities ahead. As we maintain and navigate close relationship with business partners, the increasing collaboration among the Group's building, maintenance, fitting out and property management teams, which leverages one another's experience and expertise, will enable us to grow in strength. The wider adoption of innovative new technologies in design and construction processes, will keep us ahead of competition and strengthen business sustainability going forward.

With a leaner property team and mall-focused portfolio, SOCAM is responding dynamically to the consumer behaviour in the new normal and the changing retail market landscape, and strives for improvement in occupancy, footfall and rental performance as well as shopping experience for customers in the post-epidemic era. We will also step up marketing efforts to push for the sales and handover of the remaining units in Tianjin Veneto Phase 2 this year. As always, we will adopt a prudent strategy and remain alert to acquisition and disposal opportunities to create value for shareholders.

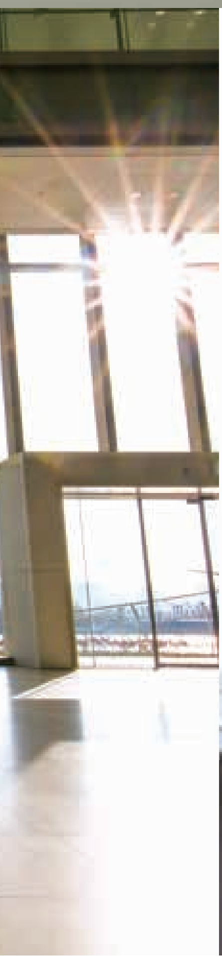
PASSION

PEOPLE

We build and maintain sustainability as part of the core principles of the business and people, and foster a workplace that embraces progress and creativity.

"At Shui On, people are our GREATEST ASSET."

Vincent H.S. Lo
Chairman



FINANCIAL REVIEW

Tianjin Veneto

Financial Results

The Group's profitability returned to growth for the year ended 31 December 2020, and reported a profit attributable to shareholders of HK$52 million on a turnover of HK$5,670 million, comparing with the profit of HK$7 million and turnover of HK$5,545 million for 2019.

An analysis of the total turnover is as follows:

	Year ended 31 December 2020 HK$ million	Year ended 31 December 2019 HK$ million
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**5,042**	4,493
Property	**628**	1,052
Total	**5,670**	5,545
Joint ventures		
Cement and others	**9**	22
Total	**5,679**	5,567

Turnover from the construction business recorded an 12% increase this year, amidst an expanded workload in construction and building maintenance work in Hong Kong. The increase in turnover was mainly attributable to our major design and construction contracts including the Junior Police Officers Married Quarters at Fan Garden, the redevelopment of Kwai Chung Hospital (Phase 2) and the multi-welfare services complex at Kwu Tung North, as well as the Central Market Revitalisation Project.

Revenue from the property business decreased to HK$628 million, from HK$1,052 million in the prior year, since relatively lower sales revenue was recognised for the Nanjing Scenic Villa project as most of the villa units had been sold in prior periods. Property sales revenue in 2020 was mainly attributable to the sale and handover of the retail shops and SOHO units in Phase 2 of the Tianjin Veneto project since December 2020. In addition, the Group completed the acquisition of the Hong Kong property management business from Shui On Private Group in April 2019, which contributed HK$103 million and HK$70 million revenue to the Group in 2020 and 2019, respectively.

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

	Year ended 31 December 2020 HK$ million	Year ended 31 December 2019 HK$ million
Construction	**456**	393
Property		
Profit on property sales	**122**	124
Net rental income (expenses)	**4**	(3)
Fair value changes on investment properties, net of deferred tax provision	**(115)**	39
Impairment loss on property inventories	**(15)**	–
Acquisition of remaining interest in subsidiaries	**(13)**	–
Gain on disposal of interest in a joint venture	**–**	62
Disposal of interest in Dalian Tiandi	**5**	29
Hong Kong property management	**16**	4
Net operating expenses	**(76)**	(95)
	(72)	160
Net finance costs		
– Senior notes	**(119)**	(118)
– Bank and other borrowings	**(51)**	(85)
Compensation for closure of a cement plant	**–**	26
Corporate overheads and others	**(75)**	(83)
Foreign exchange gains (losses)	**169**	(50)
Taxation	**(169)**	(164)
Non-controlling interests	**(87)**	(72)
Total	**52**	7

Construction

Construction business posted higher profit for the current year. Average net profit to turnover margin for 2020, excluding the onetime government subsidy from the Hong Kong Special Administrative Region Employment Support Scheme, was maintained at above 8.0%.

Property

As the gross profit margin from Phase 2 of the Tianjin Veneto project was relatively higher than that of the Nanjing Scenic Villa project, gross property sales profit in 2020 was maintained notwithstanding the lower property sales revenue recognised. Rental income from the four shopping malls and the office tower of Chengdu Centropolitan decreased in the current year owing to the disruption of normal business during the COVID-19 outbreak. In this connection, the Group has assisted its tenants by providing, among others, waiver of rental and management fees amounting to approximately RMB11 million. While rental income was adversely affected, direct rental expenses were reduced by a further extent, coupled with relief measures provided by local government resulting in a small net rental income being reported for this year.

The acquisition of the remaining 10% interest in the Tianjin Veneto project was completed in August 2020, for an aggregate consideration of approximately RMB35.8 million. The excess over the provision on account of approximately RMB24.3 million was recognised as an expense in the profit and loss.

At 31 December 2020, the Group's investment properties was valued at HK$4,720 million. Excluding the effect on the appreciation of the Renminbi against the Hong Kong dollar in the current year, there was a 3.3% gross depreciation of fair value on a portfolio basis.

The Group achieved further saving in total operating expenses in the current year as the organisation continued to streamline to achieve a leaner operation.

Net Finance Costs

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

Foreign Exchange Gains (losses)

During the current year, the Renminbi registered a 6.0% appreciation against the Hong Kong dollar, while the United States dollar registered a 0.4% depreciation against the Hong Kong dollar. These resulted in foreign exchange gains to the Group totalling HK$413 million, of which HK$169 million and HK$244 million were recognised in the consolidated statement of profit or loss and the consolidated statement of financial position respectively. This was compared to the foreign exchange losses of HK$50 million and HK$88 million respectively for the prior year, when the Renminbi depreciated 2.2% against the Hong Kong dollar.

Assets Base

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

	31 December 2020 HK$ million	31 December 2019 HK$ million
Total assets	**9,750**	9,436
Net assets	**3,132**	2,805
	HK$	HK$
Net asset value per share	**8.4**	7.5

Total assets of the Group increased to HK$9.8 billion at 31 December 2020, from HK$9.4 billion at 31 December 2019. The increase in net assets of the Group was principally attributable to the HK$52 million profit for the year and the increase in the translation reserve of HK$244 million as a result of the appreciation of the Renminbi against the Hong Kong dollar.

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

	31 December 2020 HK$ million	**%**	31 December 2019 HK$ million	%
Construction	**2,211**	**23**	1,710	18
Property	**6,954**	**71**	7,090	75
Corporate and others	**585**	**6**	636	7
Total	**9,750**	**100**	9,436	100

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

Equity, Financing and Gearing

The shareholders' equity of the Company increased to HK$3,132 million on 31 December 2020, from HK$2,805 million on 31 December 2019, for the reasons mentioned above.

Net bank and other borrowings of the Group, which represented the total of bank borrowings and senior notes, net of bank balances, deposits and cash, amounted to HK$1,590 million on 31 December 2020, as compared with HK$1,520 million on 31 December 2019.

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

	31 December 2020 HK$ million	31 December 2019 HK$ million
Bank borrowings repayable:		
Within one year	**1,037**	1,019
After one year but within two years	**215**	288
After two years but within five years	**494**	239
After five years	**69**	93
Total bank borrowings	**1,815**	1,639
US$ senior notes	**1,258**	1,344
Total bank and other borrowings	**3,073**	2,983
Bank balances, deposits and cash	**(1,483)**	(1,463)
Net bank and other borrowings	**1,590**	1,520

Subsequent to the issuance of the 2-year US$180 million 6.25% senior notes in January 2020, the Group has repurchased a total of US$16.6 million senior notes, at a slight discount to the face value, from the open market. At 31 December 2020, the outstanding amount of the senior notes was reduced to US$163.4 million.

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, decreased to 50.8% at 31 December 2020, from 54.2% at 31 December 2019, mainly attributable to the increase in equity during the year.

Treasury Policies

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

The Group's bank borrowings are mainly denominated in Hong Kong dollars and have been arranged on a floating-rate basis. Investments in Mainland China are partly funded by capital already converted into Renminbi and partly financed by borrowings in Hong Kong dollars. Renminbi financing is primarily at project level where the sources of repayment are also Renminbi denominated. Given that income from operations in Mainland China is denominated in Renminbi and property assets in Mainland China are normally priced in Renminbi on disposal, the Group expects that the fluctuations of the Renminbi in the short-term will affect the Group's business performance and financial status. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Employees

At 31 December 2020, the number of employees in the Group was approximately 1,811 (31 December 2019: 1,500) in Hong Kong and Macau, and 370 (31 December 2019: 410) in subsidiaries and joint ventures in Mainland China. Remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits, including provident fund schemes and medical insurance, remained at appropriate levels. The Group continued to retain and develop talents through executive development and management trainee programmes. Based on the financial performance of the Group as well as the individual performance and contribution of the staff members each year, share options may be granted to senior management and staff members under different schemes as reward and long-term incentives. Likewise, in Mainland China, staff benefits are commensurate with market levels, with emphasis on building the corporate culture and professional training and development opportunities are provided for local employees. It remains our objective to be regarded as an employer of choice to attract, develop and retain high calibre and competent staff.

ECONOMY

COMMUNITY

GROW

SUSTAINABILITY COMMITMENTS

A commitment to sustainability runs through all that we do. We continuously innovate to build a better tomorrow for our people, community and environment.

ENVIRONMENT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE OF THE REPORT

This ESG report presents an overview of SOCAM's Environmental, Social and Governance (ESG) performance in accordance to the HKEX ESG Reporting Guide, from 1 January 2020 to 31 December 2020. It provides ESG information of our operations in Hong Kong and Mainland China, the environmental data is collected from the Hong Kong headquarters, major projects at Shui On Construction Company Limited, Shui On Building Contractors Limited, Shui On Joint Venture, SOCAM Asset Management Limited (SAM), Pacific Extend Limited (PEL), and Pat Davie Limited (PDL).[1] Unless otherwise stated, the textual and data relating to social KPIs cover the whole Group.

KEY PERFORMANCE HIGHLIGHTS

Better Economy

Staff Turnover Rate
9.3%
(2019: 11.1%)

Total Training Hours
18,883
(2019: 15,941)

Reported Incidents of Corruption
0
(2019: 0)

Better Environment

Total Greenhouse Gas Emissions
55,622.6 tCO_2e
(2019: 60,719.1 tCO_2e)

Carbon Intensity
14 tCO_2e/ million revenue
(2019: 48.5 tCO_2e/ million revenue)

Waste Generated
170,048.4 tonnes
(2019: 40,219.1 tonnes)

Better Community

Work-related Injury Rate
3.88 cases per 1,000 Workers
(2019: 5.32)

Number of Participants in Safety Training
105,350 person-times
(2019: 86,230)

Work-related Fatality Rate
0%
(2019: 0%)

Donations
HK$1.5 million
(2019: HK$1.71 million)

Volunteering hours
540 hours
(2019: 1,319 hours)

[1] The threshold in determining the data collection boundary in 2020 as follows:

- New works: Six projects with construction period over six months that accounted for 100% of contract sum.
- PEL: 12 construction projects exceeding HK$100 million each and accounting for 82% of contract sum.
- PDL: 12 construction projects exceeding HK$30 million each and accounting for 51% of contract sum.
- SAM: Four shopping malls including Chongqing Creative Concepts Center, Tianjin Veneto, Shenyang Project Phase I and Chengdu Centropolitan.

BETTER TOMORROW PLAN 2021-2030

2020 was a year full of unprecedented challenges. The COVID-19 pandemic brought difficult times for many. Adverse impacts of climate change imply the need for solid collective action towards net-zero greenhouse gas (GHG) emissions, activating global response, including in the Mainland and Hong Kong, to pledge for carbon neutrality by the mid-21st century. At the same time, 2020 also marked a significant year for SOCAM as we embarked on a new strategy that supports the Company's business priorities and objectives while at the same time address stakeholders' concerns. With a refined focus, we advanced our existing CSR programs to set benchmarks for the Company on our ESG performance and actively respond to sustainability issues.

CSR has always been a key consideration of the Board to ensure that we continue to adapt and modernise our business operations. In 2020, embracing the "Shui On We Care" spirit, we refreshed our strategy - the "Better Tomorrow Plan 2021-2030", setting our sustainability blueprint for the next ten years, and our ambitions and focus areas across three major pillars, namely: Economy, Environment and Community, guiding our efforts for adopting sustainable practices in all business operations. The plan is driven by long-term vision and targets as well as a new governance structure, which facilitate change at all levels within the Company.

The plan is an important step for the Company as it moves to actualise CSR into a positive impact on the economy, environment and the community, and putting sustainability as part of SOCAM's long-term outlook.

Better Economy

- To contribute to economic growth
- Retain and attract talent
- Build trusted relationship

Better Environment

- Reduce carbon emissions
- Implement circular construction
- Create a sustainable supply chain

Better Community

- Create an environment of safety and wellbeing
- Build to create long-term value for the community

Mid-term targets by 2024

Better Economy
- Being the top choice of employer
- Increase the overall training hours by 25%

Better Environment
- 25% reduction in carbon intensity
- 25% reduction in waste

Better Community
- 35% reduction of accident rate
- Increase of social investment value

OUR ESG APPROACH

To bolster leadership on sustainable development, under the direction of the Board, our ESG governance went through an overhaul in 2020. Chaired by the CEO, the Sustainability Steering Committee further enhances overall accountability. This committee, sitting frequently and reporting bi-annually to the Audit Committee, comprises heads of key business units and department heads to spearhead five ESG aspects, aiming to bring our sustainability strategy and vision to life through a broad range of relevant initiatives across our business units and operations. A terms of reference set out the objectives, composition and responsibilities, defining the Board's role and management approach on ESG.

During the year, the Sustainability Steering Committee began its work on putting the "Better Tomorrow Plan 2021-2030" into reality, setting ambitious targets and practical plans.

Board of Directors

Audit Committee

- Oversees ESG matters and progress in achieving related goals and targets
- Make decisions on overall sustainability strategy

Sustainability Steering Committee

- Identifies, evaluates and manages ESG-related risks and opportunities

Innovation & Technology

Partners

Community

People

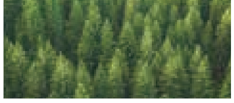
Environment

- ESG Sub-groups draw action plans on each focus areas

STAKEHOLDER ENGAGEMENT

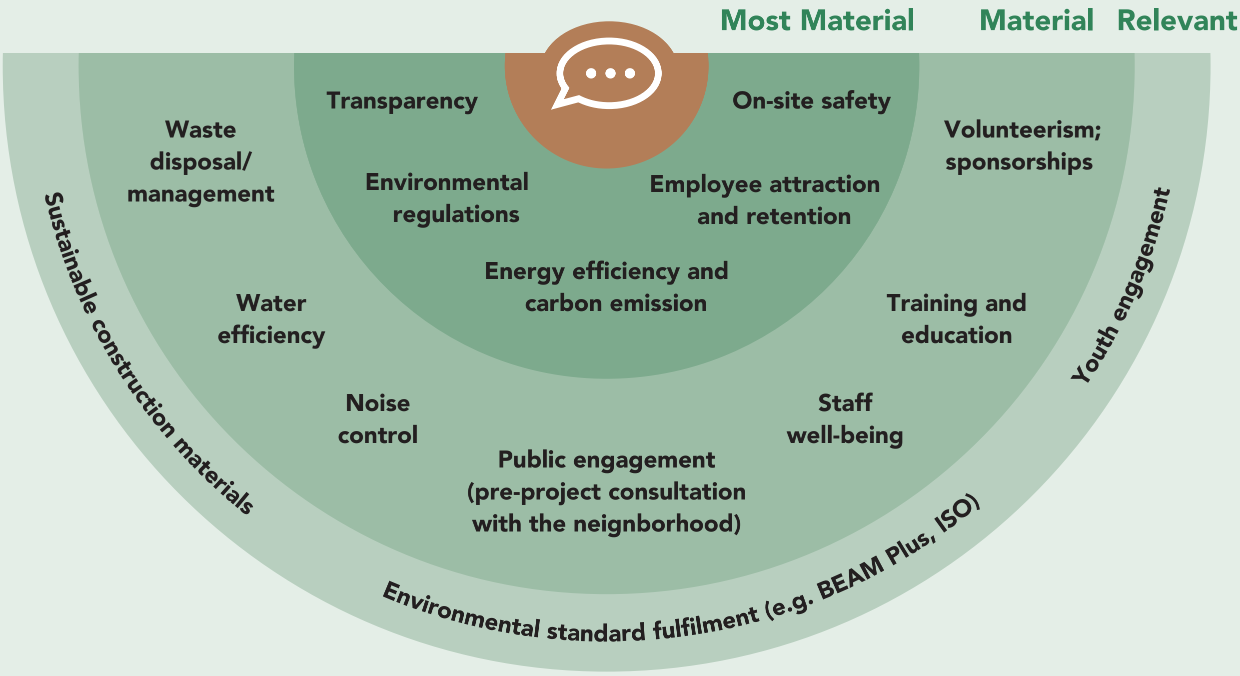
Building strong relationships with our stakeholders helps us to deliver our sustainability commitment and continuously improve our performance. The Group engages with stakeholders via a number of channels to better understand their views and expectations. In 2020, we conducted 41 in-depth interviews, covering the Board of Directors, investors, business partners, clients, sustainability experts, employees as well as the media. Based on their feedback, we refine strategies, address and prioritise the most important issues to manage external risks and opportunities. Action plans are then formulated to respond to stakeholder concerns in each of the focus areas.

Materiality Assessment Approach



Material Topics Identified

The material topics were identified through engagement with stakeholders in daily operations, and mainly based on (i) desktop research; and (ii) understanding risks and opportunities.



Engagement channels and frequency

Shareholders and investors	• Engage investors through annual general meetings, announcements, notices and circulars • Regular corporate publications including annual reports and company website
Regulatory institutions	• Keep abreast of the latest regulatory requirements through participation in seminars and industry sharing • Regular internal review to ensure full compliance
Clients, buyers and tenants	• Regular engagements via meetings, reports and green promotion campaigns
Sub-contractors and suppliers	• Building long-term relationship through regular communication on assessment criteria, quality, environmental and safety updates
Employees	• Offer diverse training opportunities and channels for employees to advance on their career pathways • Social activities organised by staff-initiated interest groups throughout the year
Community	• Regular engagement with NGOs to initiate volunteering services, donations and charity events

BETTER ECONOMY

Innovation and technology is the cornerstone of maintaining competitiveness and sustainable growth. We aim to enhance productivity through technological upgrades and innovation, and by retaining and attracting talent, in order to further establish SOCAM as a leader with our strong foundation, expertise and culture.

Innovation and Technology

Embracing innovation is one of the key components in SOCAM's sustainability strategy, based around being an early adopter of technological upgrades with a focus on digitalisation to optimise workflow, ensure smooth operations while significantly reducing paper usage, and reduce the environmental footprint. We continue to explore new technological solutions and build a culture of creativity, with a specific focus on digitalisation, adoption of sustainable construction technologies; and knowledge sharing.

Digital Transformation

On-site, and involving all our core back-office operations, the Group has made significant progress on a digital transformation plan to steer our operations towards paperless and technology driven. Site records can be filled online, allowing data analysis and performance review. We can find one-click access to such matters as recording employee attendance and reviewing payments made to external parties.

Responding to the COVID-19 pandemic, we supported remote working arrangements by upgrading office equipment and setup to facilitate working from home and effective video conferencing.

Transformation of Construction Methodology

SOCAM's construction methods today are now far removed from those of ten years ago. Sustainable construction technologies, including MiC and BIM, have improved construction productivity, quality, safety, and environmental performance. To respond to the market changes, SOCAM is proactive in facilitating knowledge sharing and building a culture of creativity.

Enhancing productivity through Modular Integrated Construction (MiC) Technology - Multi-welfare Services Complex in Kwu Tung North

The purpose-built multi-welfare services complex in Area 29 of Kwu Tung North Development Area for the Architectural Services Department is the Group's first project with full MiC application. MiC adopts free-standing integrated modules, assembled in prefabrication off-site, and transported to the site for installation and assembly.

This system overturns conventional construction methods where interior fixtures and fit-out take place after completion of the building.

Construction Efficiency

- Shorten construction time to 28 months
- Minimise construction errors
- Minimise impacts due to adverse weather conditions

Environmental Benefits

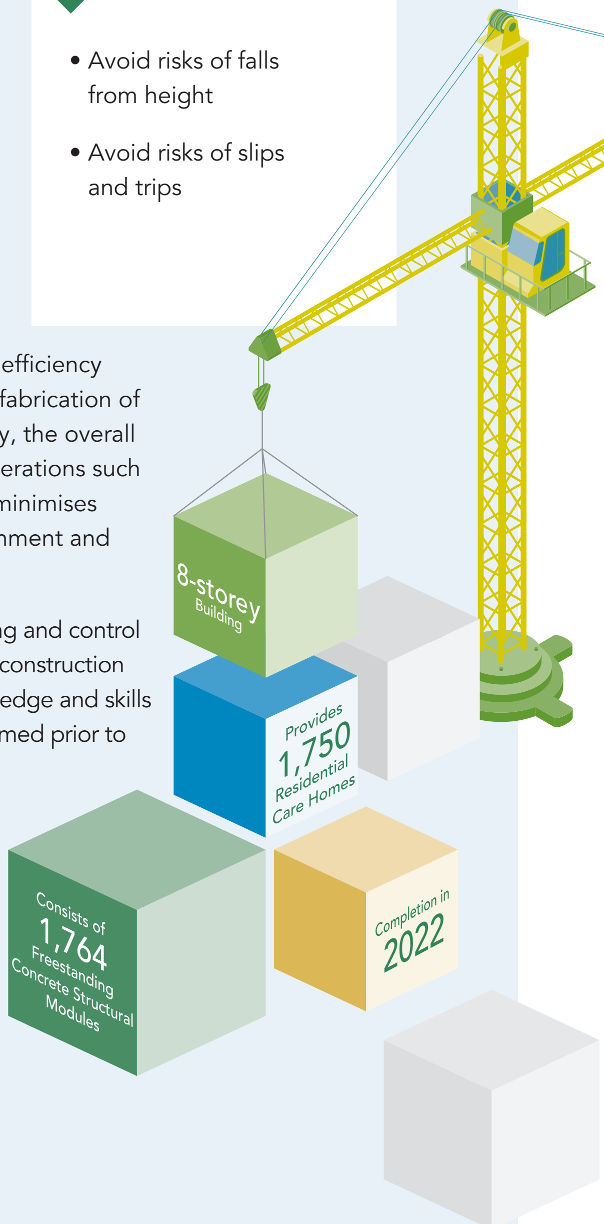
- Minimise construction waste generation
- Reduce air emissions
- Reduce dust and noise nuisance

Worksite Safety

- Avoid risks of falls from height
- Avoid risks of slips and trips

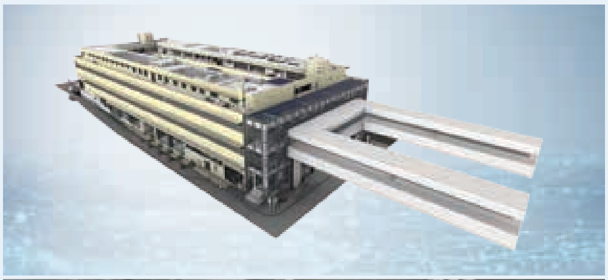
With MiC technology, we are able to substantially increase construction efficiency and quality, while improving environmental and safety performance. As fabrication of the modules and on-site foundation work can be conducted concurrently, the overall construction duration is greatly shortened. Since on-site construction operations such as indoor painting and formboard erecting are performed off-site, MiC minimises on-site safety hazards, reducing disturbances on the surrounding environment and better allow for waste management and recycling.

We ensure construction quality by implementing stringent quality monitoring and control throughout the entire construction process. Training on MiC is provided to construction workers, making sure they are equipped with the necessary technical knowledge and skills before being deployed for work on the project. In addition, trials are performed prior to actual on-site installation to ensure smooth operations at the project site.



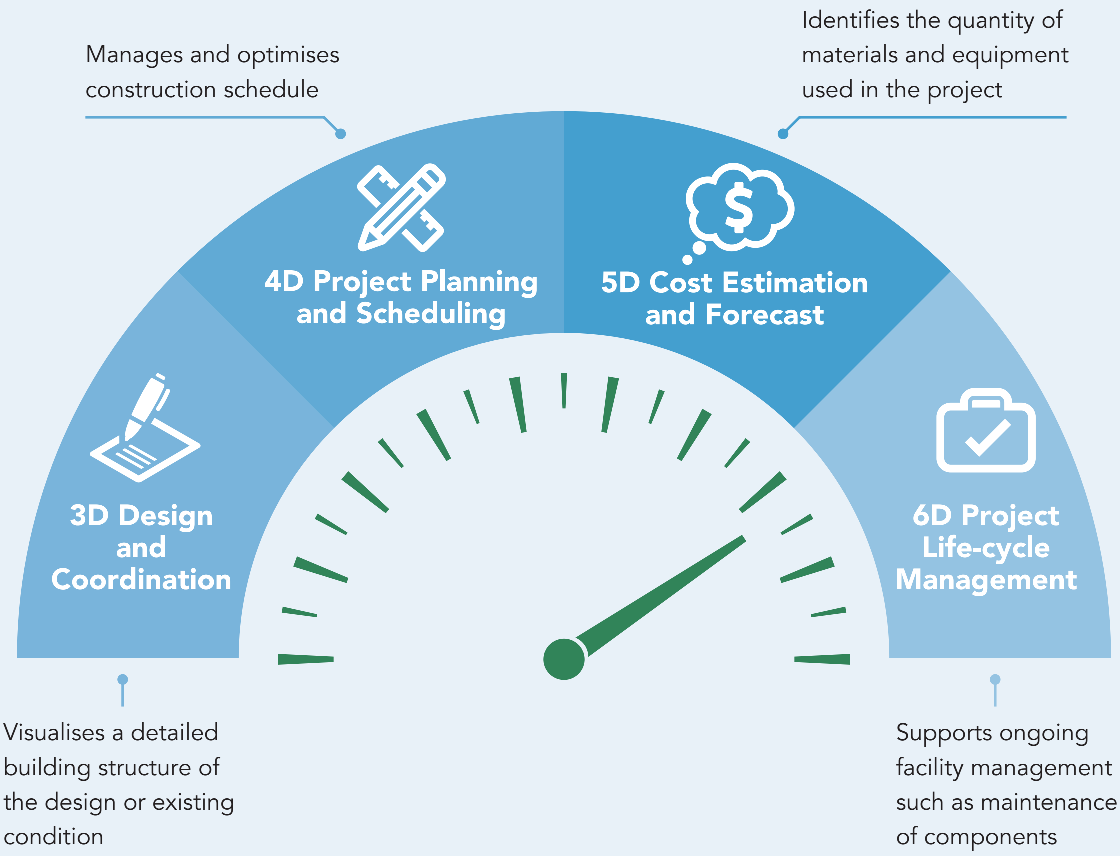
Enhancing project management through Building Information Modeling (BIM) Technology - Central Market Revitalisation project

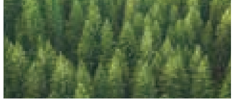
Since 2018, SOCAM has been increasing its deployment of BIM technology in project management. BIM is a process facilitating the generation and management of building data that encompasses the entire lifecycle of the building, from design to planning, construction landscaping and the end-use environment.



The Urban Renewal Authority Central Market Revitalisation project is the first project with BIM application in full scale. The project involves the application of BIM technology in several dimensions – from 3D to 6D, to reveal specific types of information that govern the quality, resources, cost and time control of the project. The application smoothens the construction process and eliminates potential problems at an early stage. It also significantly improves site safety and operational efficiency.

In 2020, we sponsored 30 employees to attend external training to enhance knowledge on BIM application.





People & Talent Development

At SOCAM, people are our greatest asset. We value each employee as a member of the Shui On community, and as the foundation of success.

We aim to cultivate a workplace environment where our staff can excel, develop and grow with the Company. We strengthen employee engagement to promote a culture of caring, and to ensure the physical and mental wellness of our employees.

We aspire to be an employer of choice. By retaining and nurturing talents, we aim to enhance the capability of the workforce for both the company and society, ultimately contributing to the local construction business and economy in the long run. In the coming 3 years, we aim to place more emphasis on training, and increase the overall training hours by 25%.

People Development

To retain our talents and unleash their full potential, we offer a wide range of professional development and training opportunities which help facilitate employees' career development and personal growth. During the year, a total of 18,883 hours of training were provided. Our Learning and Development Team launched a new talent development programme which is designed to develop leadership skills of employees with at least 5 years of experience working in the Group. 15 employees participated in the 18-month programme. We also offer job rotation opportunities across departments and business segments, aiming to broaden opportunities to become the future management backbone of the Group.

Besides internal recruitment, the Group also invests resources on attracting young talents from the market. Our Graduate Engineer Programme trains up fresh engineering graduates to become project management staff. On-the-job and leadership training programmes are provided with job rotations to familiarise themselves with various functions of the construction industry. Despite the impact of the pandemic outbreak on our recruitment process, a total of 13 engineering graduates, and 17 interns were recruited to join our Graduate Engineer Programme and Internship Programme during the year.

With diverse professional training opportunities as well as competitive remuneration packages and welfare, we maintained a low staff voluntary turnover rate of 9.3% during the reporting period.

During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and preventing child or forced labour.

Our Workforce

As of 31 December 2020, we employed 2,181 people in total, of which 1,811 were based in Hong Kong and Macau and 370 based in cities of Mainland China. The male to female ratio is approximately 2:1.

Gender

67.4%
Male

32.6%
Female

Age

19.0%
30 or below

43.6%
31-50

37.4%
51 or above

Employee Category

6%
Senior Management

13%
Middle Management

73%
General Staff

8%
Workers

Geographic

Hong Kong and Macau
83%

Mainland China
17%

Operational Excellence

At the centre of SOCAM's corporate culture is a determination to improve and innovate, and to conduct business and staff relationships in a spirit of integrity and fairplay. We focus on upholding the highest standards of integrity in everything we do, and are committed to managing our supply chain and social impact in a responsible way.

Upholding a Culture of Integrity

Integrity is the key to maintaining trust and long-term relationships with stakeholders. Over the years, we have cultivated a set of shared beliefs on which all our policies and actions are based, and through engaging employees, business partners, suppliers, we ensure that we comply with the legal and regulatory framework in every regard.

Acting as a socially responsible company and a good corporate citizen, we uphold ethical business practices. The Management is fully committed to the enforcement of our code of business ethics and to ensure employee knowledge and compliance. A business ethics policy statement, whistle-blowing policy and staff handbook is in place to maintain and enhance employee awareness and understand their rights and obligations, and to demonstrate SOCAM's commitment to ethical behaviour and conduct.

We maintained close cooperation with the Independent Commission Against Corruption (ICAC) to strengthen employee awareness on ethical issues. During the year, we continued to collaborate with ICAC to conduct training course for all employees in order to refresh their understanding of obligations and share the best practices in preventing corruption. A total of 1,993 hours of anti-corruption training were recorded, involving 1,768 employees.

During the year, the Group's operations complied with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

Supply Chain Management

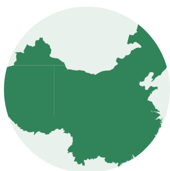
We are committed to maintaining a responsible and ethical supply chain and promote responsible practices among our key suppliers by continuously reviewing our operational procedures. With an extensive supply chain comprising materials and products suppliers, sub-contractors for construction and property management agencies, maintaining effective communication with these stakeholders is the key to maintain the safety and quality of products and services.

We proactively engage and communicate our requirements to the supply chain members to ensure quality and safety. We hold review meetings of "Health, Safety and Environment" (HSE) indicators review meeting with contractors are organised on a weekly basis to share and exchange the latest HSE updates and policies. The Group selects suppliers and contractors according to their market reputation, comparative advantages, operational feasibility, available resources and commitment.

Aiming to standardise material requirements and speed up the procurement process, the Group has been adopting an electronic platform for procurement. The platform not only greatly minimises manual process and paperwork, but also reduces procurement cost.

The Group's procurement department has standardised procedures to select, evaluate, supervise and review the performance of suppliers and contractors. Assessments are conducted quarterly to review the quality of materials, progress of work, cooperation, managerial experience, site safety, materials handling, environmental protection performances and wage payments. To maintain the management quality of shopping malls, the property management agencies are required to commit to the highest service standards and ensure emergency preparedness plans are in place to respond to unforeseen events.

Number of Suppliers and Sub-contractors



Property in Mainland China
105

Construction in Hong Kong
766

Interior Fit-out in Hong Kong and Macau
377

Quality Management

At SOCAM, we adhere to best-practice guidelines in delivering high quality and safe products and services.

We have integrated the ISO9001:2015 Quality Management System into our operations, while HSE Policy and Quality Policy are in place to ensure compliance with relevant industry standards and specifications. The Head of Department performs site inspections bi-weekly at each construction project, covering quality, health and safety and progress assessment. At site level, the Environmental Team conducts regular inspections and meetings to manage the daily operations of the project sites, such as the use of compliant machinery, biodiesel and construction materials.

Pursuing continuous improvement, we also adopt various technologies to enhance building quality and efficiency, ranging from sustainable construction technologies such as MiC and BIM, automatic sprinklers, and checking and tracking tools including Radio Frequency IDentification (RFID) tools.

We value customers' opinions and expectations. Communication channels including hotlines are in place to handle general enquires and customer complaints in accordance with the project plan.

During the year, the Group was not aware of any incidents of non-compliance with laws and regulations that had any significant impact on the Group concerning health and safety, advertising, signage or any other related matters.

Safeguarding Confidential Information

We are aware of the change in the marketplace and during the year we made further enhancement to information security to protect our clients and secure their confidence in handling data. In response to digitalisation of the workplace, the Group has strengthened its information security management to harness the wave of digital and technological challenges.

We also obtained the ISO/IEC 27001 Information Security Management Systems verification through strengthening our information security processes, procedures and response measures. Through planning, implementation, monitoring and continuous improvement, the comprehensive management system enables us to prevent possible cyberattacks or information security incidents from happening while helping manage and protect our sensitive data in confidentiality, integrity and availability of information.

BETTER ENVIRONMENT

Climate change is beyond doubt a concerning issue of our times and every corporation has a role to play in promoting climate stability. Decarbonisation is one of our main goals for the next decade and we have committed to a carbon and waste reduction target of 25% by 2024 using 2019 as the base year. This is the first important step towards alleviating climate-related environmental impacts of our operations. At the same time, we strive to disseminate eco-friendly practices to the entire supply chain through reinforcing our green procurement requirements.

As part of a pollution-intensive industry, we are committed to minimising our significant environmental impacts, protecting natural resources and facilitating decarbonisation in the industry, which is guided by the ISO50001:2018 standard. Central to our "Caring for the Environment" commitment formulated in 2008, we are advancing our systematic efforts towards resources conservation along the entire value chain, from organisational level cascading down to individual level.

Superintended by HSE Management Committee, the Group leverages on the ISO 14001:2015 certified "Integrated Health Safety and Environment" Management System and conducts regular internal audits to ensure effective environmental management systems. Seasonal training is held to familiarise the newly-hired employees with the ISO-certified management system. During the year, we were not aware of any non-compliance relating to environmental aspects.

25% reduction of carbon intensity	25% reduction of waste

Conserving Resources

We aim to make a reduction in waste of 25% by 2024. SOCAM has changed the scope of our waste reduction measurement in order to better track performance data. The data collection boundary during the year comprises of the head office, 30 construction projects in Hong Kong and four shopping malls in Mainland China. This now gives us a more complete and comprehensive view of our efforts and vigilance.

To ensure our operations align with the sustainability commitment, we have implemented various directives to reduce the impacts on depletion of finite resources. As an energy-saving initiative, we have adopted LED lighting in construction projects while making steady progress on upgrading the lighting system in properties managed by us. The replacement of T8 fluorescent tubes with LED lighting remarkably reduces electricity consumption by 40%. Implementation of solar energy and the conversion of mains electricity to reduce consumption of B5 biodiesel at an award-winning construction project at Chai Wan Road has provided 480 kWh electricity and brought down the energy consumption by 65% in six months.

Notably, the enertainer, an advanced, compact and connected battery system adopted in Kwu Tung North Multi-welfare Services Complex construction site has displayed various apparent advantages in resources conservation, including but not limited to reducing diesel. The amount of waste oil generated is also reduced correspondingly. Such initiatives not only scale down the resources depletion rate, but also help utilise natural resources, such as sunlight and water.

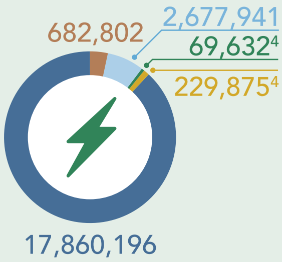
Total Resources Consumption in 2020

Electricity Consumption (kWh)

Total

21,520,445[2]

(2019[3]: 7,816,611)

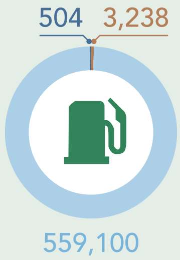


Diesel Consumption (litre)

Total

562,842[5]

(2019[3]: 84,070)

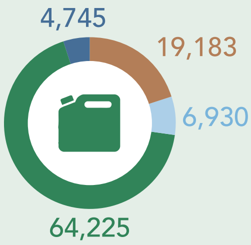


Petrol Consumption (litre)

Total

95,083[6]

(2019[3]: 26,731)



Natural Gas Consumption (m^3)

Total

111,725[7]

(2019[3]: N/A)

Acetylene Consumption (m^3)

Total

3,567

(2019[3]: 4,852)

Heat Consumption (kWh)

Total

6,338,977[8]

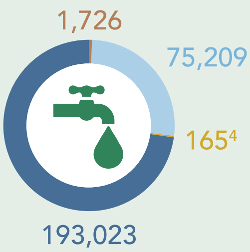
(2019[3]: 6,338,977)

Water Consumption (m^3)

Total

270,123[9]

(2019[3]: 80,620)



- Head Office
- New Works
- Maintenance Projects
- Interior Fitting-out Projects
- Shopping Malls

[2] The significant increase in electricity consumption is due to the inclusion of two shopping malls into data collection boundary which contributes to 58% of the total consumption.

[3] The data collection boundary consisted of six construction projects in Hong Kong, two shopping malls in Mainland China together with the Hong Kong office in 2019.

[4] Electricity and water consumption paid by clients of construction projects are excluded.

[5] The significant increase in diesel consumption is due to the highly use of diesel consumed generators and plants at a demolition and piling stages of two construction sites.

[6] The significant increase in petrol consumption is due to the inclusion of maintenance projects into the data collection boundary which contributes to 68% of the total consumption.

[7] Natural gas consumed by two shopping malls are incorporated into the data collection boundary starting from this reporting period.

[8] Heat consumption is calculated by floor area of the shopping mall, which has not been changed since 2019.

[9] The significant increase in water consumption is due to the inclusion of two shopping malls and two construction projects into the data collection boundary which contributes to 66% of the total consumption.

Carbon Reduction

To optimise the environmental performance, we have been following carbon emissions closely since 2013. In 2020, the total carbon emissions amounted to approximately 55,622.6 tonnes of carbon dioxide equivalent (tCO_2e). There were about 2,195.0 tCO_2e under Scope 1, 21,201.1 tCO_2e under Scope 2 and 32,226.5 tCO_2e Scope 3 emissions respectively. Carbon intensity is 14 tCO_2e per million revenue.

Annual reduction target on **carbon intensity** by 5%

	2020						2019	2018
Carbon Emissions (tCO_2e)[10]	Head Office	New Works	Maintenance Projects	Interior Fitting-out Projects	Shopping Malls	Total		
Scope 1	59.9	1,440.5	170.8	185.7	338.0	2,195.0[11]	588.1	2,028.6
Scope 2	348.2	1,688.0	35.5	182.2	18,947.2	21,201.1[11]	10,909.1	8.561.8
Scope 3	85.7	31,716.5	0	306.2	118.0	32,226.5[12]	49,221.9	60,086.6
Total emissions	493.8	34,845.1	206.3	674.1	19,403.2	55,622.6	60,719.1	70,677.0

10. The scopes of carbon emissions are defined as below:
Scope 1 Direct fuel consumption of generators, vehicles and work processes.
Scope 2 Indirect emissions from purchased energy and heating.
Scope 3 Water and sewage processing, waste treatment, raw material usage, logistics and business travel.
11. The significant increase in Scope 1 and 2 carbon emissions due to the increase in resources consumption, please refer to footnotes 2, 5-7 and 9.
12. The decrease in Scope 3 carbon emissions due to reduced business travel in the Group and overall drop in raw material consumption of three construction projects at their final phase.

Managing Waste

Stringent waste management is inevitable in a resource-intensive business. In 2020, the total non-hazardous waste generated add-up-to 170,048.4 tonnes while there was no significant generation of hazardous waste.

Annual reduction target on **waste** by 5%

We have been managing the commercial and construction waste in compliance with laws and regulations by appointing qualified waste disposal contractors. Going beyond, we strive to minimise waste generation and ease the burden of landfills by virtue of recycling and upcycling.

On construction sites, we embrace a paperless working environment with the aid of the aforementioned digital transformation and the adoption of advanced construction technology, which will help strengthen the recycling and reuse efforts on construction waste. The implementation of the "Clean Recycling Rewarding Scheme", "Regeneration of Safety Helmet" and "Waste-to-Materials: Rehabilitation of Rest Area" has successfully created a sustainable construction site at the Chai Wan Road project.

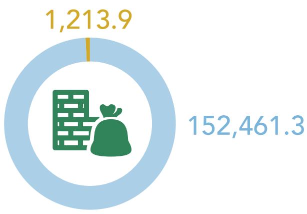
Non-hazardous Waste (tonnes)

Inert Construction Waste

Total

153,675.2[13]

(2019: 33,786.3)

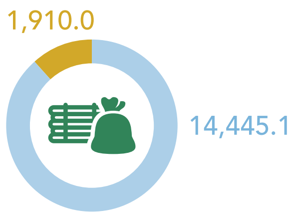


Non-inert Construction Waste

Total

16,355.1[14]

(2019: 6,412.6)

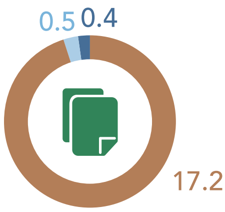


Paper Waste

Total

18.1

(2019: 20.2)



- Head Office
- New Works
- Maintenance Projects
- Interior Fitting-out Projects
- Shopping Malls

13. The significant increase in inert waste due to inclusion of two construction projects into the boundary which contributes to 84% of the total inert waste generation.
14. The significant increase in non-inert waste due to increase in waste generation in a construction project.

Award-winning Project – the construction of a public housing development at Chai Wan Road for the HKHA

Sustainable Practices

To uphold sustainability efforts, we initiate and undertake innovative construction alternatives. For instance, the replacement of wooden formwork with recyclable iron formwork has lessened the demand for wood resources while motivating recycling on-site.

"Clean Recycling Rewarding Scheme"

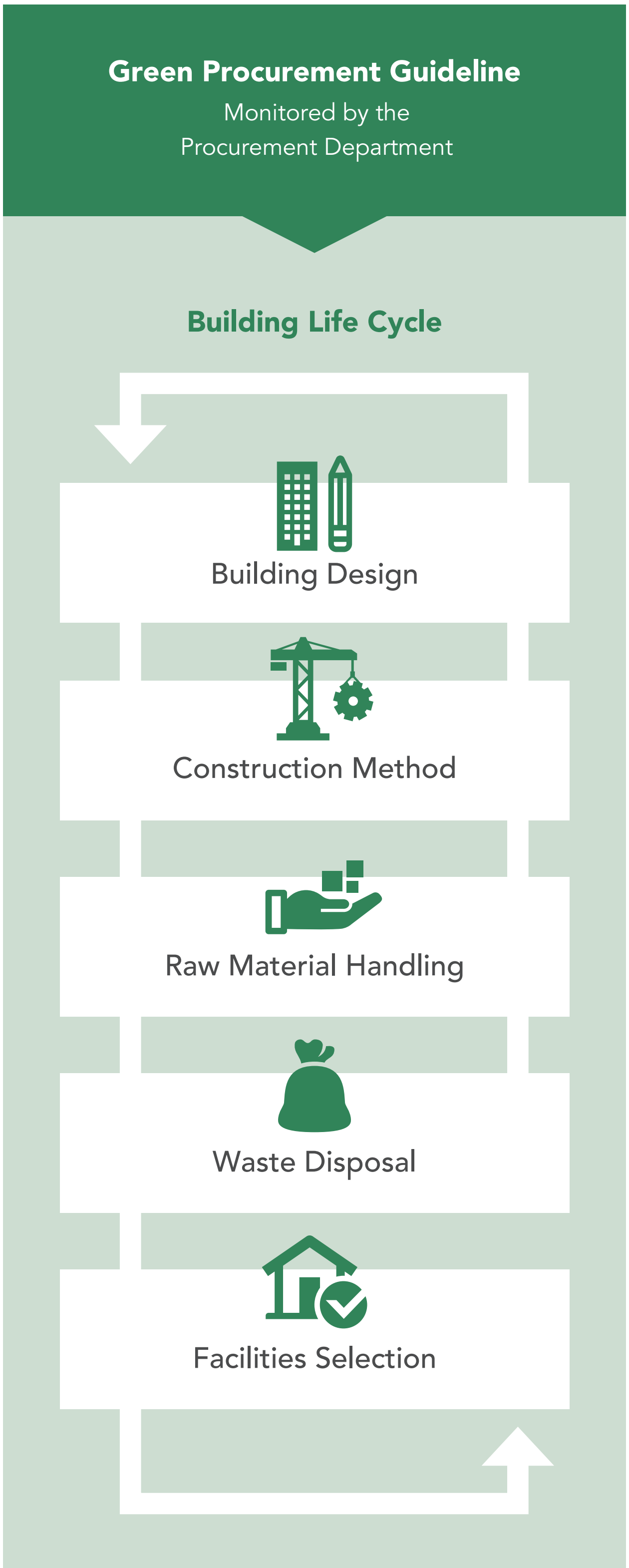
We boost employees' awareness on clean recycling by launching a reward scheme, raising both quantity and quality of the recyclables. Safety helmets, wastepaper, aluminium cans and plastic bottles are eligible for the scheme with monetary incentives provided in return. To promote community participation, we branched out the campaign into the neighbouring community, and motivate neighbours to take part in the scheme.

"Regeneration of Safety Helmet"

The collected safety helmets and plastic bottles are then upcycled as plant pots for greening purpose at the construction sites. We exclusively select plants that repel mosquitoes such as Scented Geraniums and Mint. As of end of 2020, approximately 70 safety helmets have been repurposed as planter at the roadside.

"Waste-to-Materials: Rehabilitation of Rest Area"

Wood plank and iron pipe are commonly used for setting up as rest area for the workers. To avoid wastage, we construct the rest area with discarded plasterboard partition and scrap iron pipes transferred from other projects. By rehabilitating the rest area with reusable construction materials not merely extends the product lifecycle, but also embellishes the construction site.



Sustainable Supply Chain

Through reinforcing our green procurement requirements, SOCAM strives to disseminate eco-friendly practices to the entire supply chain, promoting efficient use of natural resources including raw materials and water.

Adhering to the green procurement guidelines monitored by the Procurement Department, the Group incorporates environmental parameters into the building life cycle, including building design, construction method, raw material handling, waste disposal and facilities selection, and encourages the purchase of the best options based on the price and environmental parameters.

A risk assessment is conducted prior to material procurement, ensuring the materials are in compliance with the contract terms and avoid wastage of materials due to nonconformity. We attach a high priority to products with high durability and recyclability, working towards a waste-free and emission-free operations through effective use of resources. For instance, the Group continues to adopt Grade 1 water-consuming devices that result in a notable water reduction effort by 9 litres per minute under the Water Efficiency Labelling Scheme by the Water Suppliers Department. Furthermore, environmentally friendly containers that are refillable and have a biodegradable composition are used wherever possible.

- FSC PEFC certified Fibrillar wood
- B5 biofuel with lower carbon emissions
- Approved or exempted Non-road Mobile Machinery

BETTER COMMUNITY

Employee safety and the "we care" spirit has long been a cornerstone of SOCAM's CSR commitment. Through promoting a collaborative culture, we aim to create a healthy, safe and harmonious workplace, empowering employees to reach their full potential and grow together with the Company. The new sustainability strategy also aims to benefit our stakeholders and the wider community by fostering a caring culture internally, and increase our social investment to key target groups.

Health and Safety

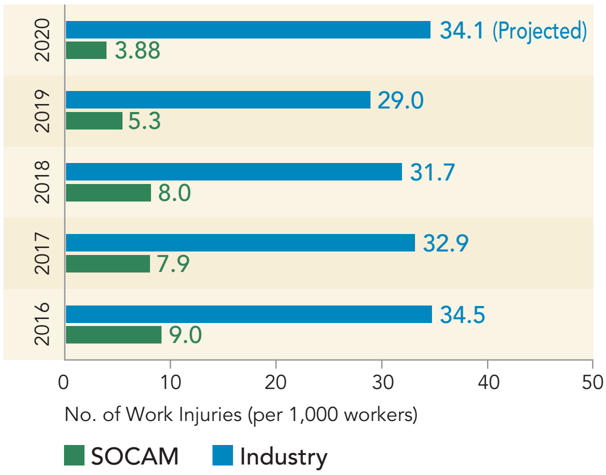
Ensuring Low Accident Rate

As a leading company in promoting safety in the industry, the Group strives to maintain high safety standards for its workforce, and continues to place emphasis and resources in striving towards a minimal accident rate at our sites.

In 2020, an injury rate of 3.88 cases per thousand workers was recorded, representing a 27% decline from 2019. It was achieved with systematic review on operational practices and training needs, as well as the adoption of advanced technology and safety devices. We aim to lower that rate by 35% before 2024, from a base of 2019 figure.

During the year, a total of 3,225 lost days were reported relating to work injuries. 13 work-related injury cases were reported, compared to 17 in 2019. There were no work-related fatalities in the past three years.

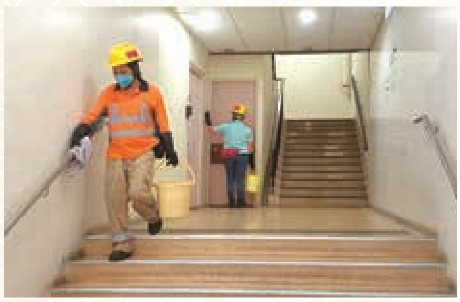
Accident Rate



Combating COVID-19

At the time of the COVID-19 outbreak, we took immediate measures to safeguard the health and well-being of employees, through establishing a set of preventive infection protocols across our operations.

Strictly complying with the government anti-pandemic regulations at all aspects of our operations, we enforced social distancing policies including zoning restriction of occupants' number at construction sites and installed plastic barriers. To maintain workplace hygiene, sanitising equipment was installed, while mandatory temperature screening and facial identity check are required at the site entrance to avoid virus transmission and to keep record for contact tracing. We also formulated and executed an action plan for handling suspected cases of COVID-19. Precautionary reminders and response actions are circulated through our internal communication channels. We will closely monitor the latest development of the pandemic and take appropriate actions when necessary.



We Put Safety First

Adhering to the ISO45000 standard, we performed risk assessment analysis and auditing on operational safety. High-risk issues including working at height and lifting operations were identified and improvement plans were implemented. To promote a safety culture, our HSE Management Committee works closely with the employees to disseminate onsite safety messages and instructions by senior management, sharing incident alerts and good site practices, along with a series of initiatives to reinforce site safety culture.

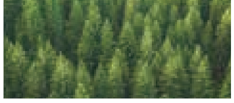
Safety Training

Our HSE Committee organises an HSE sharing session quarterly at each construction sites, providing updates on latest safety incidents in the industry as well as amendment on related laws and regulations. Informal meetings during tea-time are also arranged for delivering safety instructions to employees. With our efforts, the total number of participants in safety training in 2020 was 105,350 person-times, a 22% increase from 2019.

Safety Innovation

The Group regards innovative technology as a key approach to provide the best protection to its workforce. In cooperation with Hong Kong Housing Authority, we launched a pilot scheme for installation and dismantling of Rapid Demountable Platform (RDP), an efficient and temporary platform for inspection, repair and maintenance works outside high-rise buildings. Compared to conventional practice of bamboo scaffolding, this practice is safer and more reliable as workers no longer need to install and dismantle external scaffolding thus minimising the chance of fall accidents.

Furthermore, we introduced the Artificial Intelligence Computer System (AI) on trial basis to mitigate safety risks. The surveillance system with web cameras helps to monitor the implementation of safety measures in lifting and excavator operations, such as wearing safety helmet. In confined demolition worksites, we made use of remote-controlled demolition robots, ensuring working safety and efficiency. Look ahead, the Group will continue to explore innovative solutions to improving occupational safety.



Community Involvement

At SOCAM, we are dedicated to share the spirit of care within the Company, and giving back to the communities in which we operate. Aiming to create positive impact and create long-term community partnerships, we consistently encourage our employees to participate in volunteer work through the Shui On Seagull Club, an employee-led community service unit. We also seek social investment opportunities where the well-being of the underprivileged is improved, especially under challenging times of the pandemic and economic downturn. In 2020, we continued to take part in community projects, ranging from supporting workers suffering from the pandemic, the elderly and the disadvantaged.

Our Contributions at a Glance

Charity Donations (HK$)

2020	1.5 million
2019	1.71 million
2018	1.5 million

Volunteering Hours

2020	540
2019	1,319
2018	2,367

Number of Volunteers

2020	321
2019	343
2018	387

Fighting COVID-19 Pandemic Together

In 2020, one of our major focuses was on supporting the underprivileged struggling to combat the pandemic. We donated anti-epidemic supplies to a number of non-governmental organisations, elderly homes and schools in Hong Kong, as well as medical institutions in Wuhan, China. Our volunteers stepped up and joined the assistance programme by St. James Settlement, donating food, anti-epidemic supplies and e-learning equipment to low-income families who suffered a heavier financial burden during the pandemic. To support the industry in fighting COVID-19, SOCAM donated HK$500,000 to the "Construction Industry Caring Campaign" initiated by the Construction Industry Council, which provides subsidies to workers who are infected or who may have had a virus fatality in the family.

In Mainland China, we offered rental concessions to our shopping mall tenants battered by the pandemic in a move to help them survive the difficult times.

Special Care for the Elderly

As the elderly are the most vulnerable group to COVID-19 infection and hospitalisation, they are more prone to social isolation and loneliness under the social distancing policies. Partnering with Young Women's Christian Association (YWCA), we built outreach relationships to the elderly through phone calls, to show concern to care particularly to those with mobility problems and those living alone. Before the pandemic, we organised a "Football Fun Day" where the elderly and veteran football players join us for a charity football match. Despite difficulties in meeting the elderly in person, our volunteers continued to provide companion support through every possible means, and make the most worthwhile contributions we can make.

Youth Empowerment for a Sustainable Future

SOCAM has always been a firm supporter of youth development. We offered internship opportunities to young people with disabilities via the Hong Kong PHAB Association employment services. Through this programme, we strive to equip them with skills and knowledge, enabling them to become financially independent through job engagement in the long-term.

AWARDS AND RECOGNITIONS

2019 Green Contractor Award

Awarded by
Architectural Services Department

- Term Contract for the Design and Construction of Minor Works to Government and Subvented Properties for which the Architectural Services Department is Responsible (Contract Area: Hong Kong Island, Lantau Island and Outlying Islands (South))

BEAM Plus New Buildings V1.2

Awarded by
Hong Kong Building Environmental Assessment Method Society

- Final Platinum (Hong Kong Children's Hospital)

Construction Industry Safety Award Scheme 2019/2020

Awarded by
Labour Department

- Minor Renovation & Maintenance Works (Gold Award)
- Minor Renovation and Maintenance Works (Outstanding Performance in Work-at-Height Safety Prize)
- Renovation & Maintenance Works (Subcontractor) (Silver Award)

International ARC Awards 2020

Awarded by
MerComm, Inc.

- Written Text: Construction & Building (Silver)
- Chairman's/President's Letter: Construction & Building (Honors)
- Interior Design: Construction & Building (Honors)

Caring Company Scheme 2020/2021

Awarded by
Hong Kong Council of Social Services

- 10 Years Plus Caring Company Logo 2020/2021

Good Employer Charter 2020

Awarded by
Labour Department

- Signatory of the Good Employer Charter 2020
- Authorised use of the "Family-friendly Good Employer" Logo

Good MPF Employer Award 2019-20

Awarded by
Mandatory Provident Fund Schemes Authority

- E-Contribution Award 2019-20
- Support for MPF Management Award 2019-20

ERB Manpower Developer Award Scheme

Awarded by
Employees Retraining Board

- Super MD 2020-25

2020 Partner Employer Award

Awarded by
The Hong Kong General Chamber of Small and Medium Business

Innovative Safety Initiative Award 2020

Awarded by
Hong Kong Construction Association
Development Bureau
Construction Industry Council

- Safety Operational Device (Gold Award)
- Health and Welfare (Merit Award)

Employers Appreciation Ceremony 2019

Awarded by
The Construction Industry Council

- 2019 Contractors Hired the Most Graduates – Excellence Award
- 2019 Quality Training Employer (Semi-skilled workers)
- 2019 Contractor of Active Collaboration on Training

CIC Sustainable Construction Award

Awarded by
The Construction Industry Council

- Contractor in New Works (Merit – Construction of a Public Housing Development at Chai Wan Road, Chai Wan)

PERFORMANCE DATA SUMMARY

		Unit	2020	2019
Employees	**Head Count at Year End**			
	Group-wide	Person	2,181	1,910
	By Gender			
	Male	Person	1,469	1,350
	Female	Person	712	560
	By Business Lines			
	Construction Division	Person	1,160	1,002
	Property Division	Person	863	758
	Others	Person	158	150
	By Employee Category			
	Senior Management	Person	119	120
	Middle Management	Person	292	289
	General Staff	Person	1,600	1,375
	Workers	Person	170	126
	By Age group			
	30 or below	Person	415	404
	31-50	Person	951	845
	51 or above	Person	815	661
	By Geographical Region			
	Hong Kong and Macau	Person	1,811	1,501
	Mainland China	Person	370	409
	Turnover Rate			
	Group-wide	%	9.3	11.1
	By Gender			
	Male	%	6.4	–
	Female	%	2.9	–
	By Age group			
	30 or below	%	2.9	–
	31-50	%	4.7	–
	51 or above	%	1.7	–
	By Geographical Region			
	Hong Kong	%	16.1	–
	Macau	%	5.6	–
	Mainland China	%	6.2	
Training & Development	**Training Hours**			
	Group-wide (excluding HSE training)	Hour	18,883	15,941
	Average Training Hour			
	Group-wide	Hour	8.7	8.3
	By Gender			
	Male	Hour	7.6	8.2
	Female	Hour	10.9	8.7
	By Employee Category			
	Senior Management	Hour	15.2	11.9
	Middle Management	Hour	8.1	11.0
	General Staff	Hour	9.2	8.2

		Unit	2020	2019
	Percentage of Employees Trained			
	Group-wide	%	86.7	–
	By Gender			
	Male	%	58.2	–
	Female	%	28.4	–
	By Employee Category			
	Senior Management	%	5.6	–
	Middle Management	%	12.8	–
	General Staff	%	68.2	–
Health & Safety	Lost days due to work injury	Day	3,225	5,468
	Work-related injury rate	per 1,000 workers	3.88	5.32
	Work-related injury	Number	13	17
	Work-related fatalities	Number	0	0
	Number of participants in safety training	Person-times	105,350	86,230
Environment	**Total Resource Consumption**			
	Electricity	kWh	21,520,445	7,816,611
	Diesel	Litre	562,842	84,070
	Petrol	Litre	95,083	26,731
	Natural Gas	m^3	111,725	N/A
	Acetylene	m^3	3,567	4,852
	Heat	kWh	6,338,977	6,338,977
	Total energy consumption	kWh	35,798,173	15,320,474
	Energy intensity	kWh/million revenue	9,036	12,248
	Water	m^3	270,123	80,620
	Water intensity	m^3/million revenue	68.2	64.5
	Greenhouse Gas Emission			
	Scope I	tCO_2e	2,195.0	588.1
	Scope II	tCO_2e	21,201.1	10,909.1
	Scope III	tCO_2e	32,226.5	49,221.9
	Total	tCO_2e	55,622.6	60,719.1
	GHG intensity	tCO_2e/million revenue	14	48.5
	Air Emissions			
	Sulphur oxides	kg	10.9	1.7
	Non-hazardous Waste			
	Inert construction waste	tonnes	153,675.2	33,786.3
	Non-inert construction waste	tonnes	16,355.1	6,412.6
	Paper waste	tonnes	18.1	20.2
	Waste intensity	tonnes/million revenue	42.9	32.2
Community	**Volunteer hours** (Including non-staff)	hours	540	1,319
	Donations (including funds raised by staff)	HK$	1.5 million	1.71 million

ESG CONTENT INDEX

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
A. Environmental		
Aspect A1	**Emissions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	BETTER ENVIRONMENT
KPI A1.1	The types of emissions and respective emissions data.	PERFORMANCE DATA SUMMARY
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	BETTER ENVIRONMENT – Carbon Reduction
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	No significant generation of hazardous waste.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	BETTER ENVIRONMENT – Managing Waste PERFORMANCE DATA SUMMARY
KPI A1.5	Description of measures to mitigate emissions and results achieved.	BETTER ENVIRONMENT – Carbon Reduction
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	BETTER ENVIRONMENT – Managing Waste
Aspect A2	**Use of resources**	
General disclosure	Policies on efficient use of resources including energy, water and raw materials.	BETTER ENVIRONMENT – Conserving Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume per facility).	BETTER ENVIRONMENT – Conserving Resources PERFORMANCE DATA SUMMARY
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	BETTER ENVIRONMENT – Conserving Resources PERFORMANCE DATA SUMMARY
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	BETTER ENVIRONMENT – Conserving Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for the purpose, water use efficiency initiatives and results achieved.	We source our water from the municipal water supply, and do not encounter any issue in sourcing water that is fit for purpose.
KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The use of packaging material for finished products is not applicable to our Group’s Business.
Aspect A3	**The environment and natural resources**	
General disclosure	Policies on minimising the issuers’ significant impact on the environment and natural resources.	BETTER ENVIRONMENT
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	BETTER ENVIRONMENT
B. Social		
Aspect B1	**Employment and labour practices**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	BETTER ECONOMY – People and Talent Development
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	BETTER ECONOMY – Our Workforce PERFORMANCE DATA SUMMARY
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	PERFORMANCE DATA SUMMARY
Aspect B2	**Health and safety**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	BETTER COMMUNITY – Health and Safety
KPI B2.1	Number and rate of work-related fatalities	BETTER COMMUNITY – Health and Safety PERFORMANCE DATA SUMMARY
KPI B2.2	Lost days due to work injury.	BETTER COMMUNITY – Health and Safety PERFORMANCE DATA SUMMARY
KPI B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	BETTER COMMUNITY – Health and Safety

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B3	Development and training	
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	BETTER ECONOMY – People & Talent Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	PERFORMANCE DATA SUMMARY
KPI B3.2	The average training hours completed per employee by gender and employee category.	PERFORMANCE DATA SUMMARY
Aspect B4	Labour standards	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	We implement appropriate protocols in our recruitment process to ensure child and forced labour is absent in our operations.
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	
Aspect B5	Supply chain management	
General disclosure	Policies on managing environmental and social risks of the supply chain.	BETTER ECONOMY – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	BETTER ECONOMY – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	BETTER ECONOMY – Supply Chain Management BETTER ENVIRONMENT – Sustainable Supply Chain
Aspect B6	Product responsibility	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redressal.	BETTER ECONOMY – Operational Excellence
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
KPI B6.2	Number of product and service-related complaints received and how they are dealt with.	BETTER ECONOMY – Quality Management
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable
KPI B6.4	Description of quality assurance process and recall procedures	BETTER ECONOMY – Quality Management
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	BETTER ECONOMY – Safeguarding Confidential Information
Aspect B7	Anti-Corruption	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	BETTER ECONOMY – Upholding a Culture of Integrity
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No concluded legal case regarding corrupt practices were recorded during the year
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	BETTER ECONOMY – Upholding a Culture of Integrity
Aspect B8	Community investment	
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	BETTER COMMUNITY – Community Involvement
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	BETTER COMMUNITY – Community Involvement
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	BETTER COMMUNITY – Community Involvement

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lo Hong Sui, Vincent
GBM, GBS, JP

Mr. Lee Chun Kong, Freddy

EXECUTIVE DIRECTORS

Ms. Lo Bo Yue, Stephanie

NON-EXECUTIVE DIRECTOR

Ms. Li Hoi Lun, Helen

Mr. Chan Kay Cheung

Mr. William Timothy Addison

INDEPENDENT NON-EXECUTIVE DIRECTORS

EXECUTIVE DIRECTORS

Mr. Lo Hong Sui, Vincent *GBM, GBS, JP*

aged 73, has been the Chairman of the Company since 1997. He is the Chairman of the Shui On Group, which he founded 50 years ago, and the Chairman of Shui On Land Limited ("SOL"), which he established in 2004 and became listed in Hong Kong in 2006. He is also a director of Shui On Company Limited ("SOCL"), the controlling shareholder of the Company, and certain subsidiaries of the Company. Mr. Lo is a Member of the Board of Directors of Boao Forum for Asia, the President of the Council for the Promotion & Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, a Vice Chairman of the Chamber of International Commerce Shanghai, the Honorary Life President of the Business and Professionals Federation of Hong Kong and an Honorary Court Chairman of The Hong Kong University of Science and Technology. He is currently a Non-executive Director of Great Eagle Holdings Limited and Hang Seng Bank, Limited, both of which are listed in Hong Kong.

Mr. Lo was awarded the Grand Bauhinia Medal in 2017, the Gold Bauhinia Star in 1998 and appointed a Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region. He was named Businessman of the Year at the Hong Kong Business Awards in 2001 and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2005. He was honoured with "Ernst & Young China Entrepreneur Of The Year 2009" and also, as "Entrepreneur Of The Year 2009" in the China Real Estate Sector. Mr. Lo was made an Honorary Citizen of Shanghai in 1999 and Foshan in 2011. In 2012, the 4th World Chinese Economic Forum honoured Mr. Lo with the Lifetime Achievement Award for Leadership in Property Sector.

Mr. Lee Chun Kong, Freddy

aged 59, re-joined the Shui On Group in May 2019 as the Deputy Chief Executive Officer of the Company and has been an Executive Director and the Chief Executive Officer of the Company since October 2019. Mr. Lee is also a director of certain subsidiaries of the Company. He joined the Shui On Group in 1986 and has nearly 16 years of experience in construction management in Hong Kong and 19 years of experience in property development in Mainland China. Mr. Lee was appointed as an Executive Director and a Managing Director of SOL, a company listed in Hong Kong, in June 2010 and was the Chief Executive Officer of SOL from March 2011 to January 2014. He left the Shui On Group in July 2014. Prior to joining the Company, Mr. Lee was the Senior Managing Director – Projects of the Chongbang Group, a real estate investment and development group in Shanghai. He holds a Master's degree in Construction Management from the City University of Hong Kong and a Bachelor's degree in Quantity Surveying from Reading University, England. Mr. Lee is currently a Member of the Royal Institution of Chartered Surveyors in the United Kingdom and a Member of the Hong Kong Institute of Surveyors. He also serves as an Executive Member of the China Overseas Chinese Entrepreneurs Association and a Member of the Eleventh, Twelfth and Thirteenth Wuhan Municipal Committee of the Chinese People's Political Consultative Conference.

NON-EXECUTIVE DIRECTOR

Ms. Lo Bo Yue, Stephanie

aged 38, has been a Non-executive Director of the Company since January 2019 and was re-appointed to the office for a term of two years upon expiration of her service contract on 31 December 2020. Ms. Lo is currently an Executive Director of SOL, a company listed in Hong Kong. She is also the Managing Director – Corporate Development of Shui On Management Limited and the Vice Chairman of China Xintiandi Holding Company Limited, both being subsidiaries of SOL. Ms. Lo is the daughter of Mr. Lo, the Chairman of the Company, and a director of SOCL, the controlling shareholder of the Company. She joined the Shui On Group in August 2012 and has over 17 years of working experience in property development industry in Mainland China, architecture and interior design as well as other art enterprises. Prior to joining the Shui On Group, Ms. Lo worked for various architecture and design firms in New York City, amongst which was Studio Sofield, a firm well-known for its capability in retail design. She holds a Bachelor of Arts degree in Architecture from Wellesley College in Massachusetts. She currently serves as a Member of the Thirteenth Shanghai Committee of the Chinese People's Political Consultative Conference and the Seventh Council Member of the Shanghai Chinese Overseas Friendship Association.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li Hoi Lun, Helen

aged 65, has been an Independent Non-executive Director of the Company since August 2008 and was re-appointed to the office for a term of two years upon expiration of her service contract on 27 August 2019. She is a qualified lawyer in the jurisdictions of Hong Kong, England and Wales and New South Wales, Australia. She studied law in England and commenced practising law in Hong Kong in 1982. Ms. Li worked in private practice, with emphasis on property, commercial and corporate work with a China focus. Prior to joining the Company, she was employed as an in-house legal counsel for the companies, and an Executive Director of the property arm, of the Shui On Group and took early retirement in 2005.

Mr. Chan Kay Cheung

aged 74, has been an Independent Non-executive Director of the Company since January 2010 and was re-appointed to the office for a term of two years upon expiration of his service contract on 31 December 2019. Mr. Chan possesses extensive knowledge and experience in the banking industry. He joined The Bank of East Asia, Limited ("BEA") in 1965 and was appointed as an Executive Director and Deputy Chief Executive of BEA in 1996 and 1997 respectively. He retired from BEA in May 2007 after serving it for over 41 years and is currently the Vice Chairman of The Bank of East Asia (China) Limited. Mr. Chan is a Fellow of The Hong Kong Institute of Bankers and a Member of the Committee of Overseers of Lee Woo Sing College of The Chinese University of Hong Kong. He is also an Independent Non-executive Director of China Electronics Huada Technology Company Limited and Chu Kong Shipping Enterprises (Group) Company Limited, both of which are listed in Hong Kong. Mr. Chan ceased to be an Independent Non-executive Director of Dah Chong Hong Holdings Limited, previously a listed company in Hong Kong, upon its privatisation in January 2020. He also retired as an Independent Non-executive Director of Hong Kong Food Investment Holdings Limited, a listed company in Hong Kong, in August 2020.

Mr. William Timothy Addison

aged 68, has been an Independent Non-executive Director of the Company since May 2016 and was re-appointed to the office for a term of two years upon expiration of his service contract on 24 May 2020. Mr. Addison is currently the Chairman and Chief Executive Officer of Theron Capital International Limited, a company that provides strategic advisory services for China businesses. He is a former investment banker with more than 30 years of investment banking and global capital and debt market experience. He worked previously at The Hongkong and Shanghai Banking Corporation Limited ("HSBC") for over 21 years. He was a director of HSBC Corporate Finance Limited from 1992 until he left HSBC in 2002, at which time he held the position of Chief Operating Officer, Corporate Finance of HSBC Markets (Asia) Limited. Between 2005 and 2008, Mr. Addison served as a Managing Director and the Chief Financial Officer of SOL.

SENIOR MANAGEMENT

Mr. Choi Yuk Keung, Lawrence

aged 67, re-joined the Shui On Group in August 2017 as the Vice Chairman of the Construction Division of the Company. He is an Executive Director of Shui On Building Contractors Limited ("SOBC"), Shui On Construction Company Limited ("SOC") and Pat Davie Limited ("Pat Davie") and a director of certain other subsidiaries of the Company. Mr. Choi joined the Shui On Group in 1973 and has over 40 years of experience in construction. He was appointed as Managing Director of the Shui On Group's Construction Division in 1991 and the Construction Materials Division in 1995. He was the Vice Chairman and a Managing Director of the Company before he retired in December 2015. Mr. Choi was a Member of the Standing Committee of the Nineth, Tenth and Eleventh Guizhou Provincial Committee of the Chinese People's Political Consultative Conference. He holds a Bachelor of Science degree in Engineering from the University of California, Berkeley.

Mr. Ko Siu Pang, Raymond

aged 59, is the Director and General Manager of SOBC and SOC. He also holds directorships in certain other subsidiaries of the Company. Mr. Ko joined the Shui On Group in 1987 and has over 36 years of experience in construction. He holds a Master of Science degree in Project Management from the University of South Australia.

Mr. Lee Kwok Fai

aged 66, is a Director of SOBC, Pacific Extend Limited and PEL (E&M) Limited. Mr. Lee joined the Shui On Group in 2001 and has over 40 years of experience in construction and building maintenance. He holds a Master's degree in Built Environment, a Graduate Diploma in Project Management from the Queensland University of Technology of Australia and a Higher Diploma in Surveying from the Hong Kong Polytechnic. He is also a Member of the Hong Kong Institute of Surveyors.

Mr. Ng Yat Hon, Gilbert

aged 60, is an Executive Director of Pat Davie, specialising in interior fitting out and renovation in Hong Kong and Macau. He also holds directorships in certain other subsidiaries of the Company. Mr. Ng joined the Shui On Group in 1996 and has over 35 years of experience in construction. He holds a Bachelor's degree in Civil Engineering from The University of Manchester and a Master's degree in Project Management from The University of New South Wales. He is a chartered civil engineer.

Mr. Lam Kwok Kong, Wilson

aged 50, is the Director – Corporate Finance and also a director of certain subsidiaries of the Company. Mr. Lam joined the Company in 2006 and was the General Manager – Finance and Accounts before he took up the current position in January 2019. Prior to joining the Company, Mr. Lam worked in KPMG and has accumulated more than 10 years of accounting, auditing and financial management experience. He holds a Bachelor of Arts degree in Accountancy from the City University of Hong Kong. He is an Associate of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of integrity, transparency, accountability and independence. The Board of Directors of the Company believes that good corporate governance is essential for sustainable development and growth of the Company, enhancement of its credibility as well as shareholders' value. In light of the regulatory requirements and the needs of the Company, the Board has reviewed the Company's corporate governance practices along with the adoption and improvement of the various procedures and documentation, which are detailed in this report.

Throughout the year ended 31 December 2020, the Company complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for certain deviations as specified with considered reasons in the sections headed "Board Committees" below.

THE BOARD

The overall management of the Group's businesses is vested in the Board, which monitors the Group's operating and financial performance. Members of the Board are collectively responsible for promoting the success of the Group by directing and supervising its affairs and overseeing the achievement of strategic plans to enhance shareholders' value.

The Board is responsible for all major aspects of the Group's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, internal control and risk management systems, material transactions (including, in particular, those which may involve conflicts of interest), major capital expenditure, appointment of Directors and Board Committee members, and other significant financial and operational matters. The Board also plays a central support and supervisory role in the Company's corporate governance duties to ensure the Company maintains a sound governance framework for long-term sustainable shareholders' value.

All operational decisions are delegated to the Executive Directors. The day-to-day management, administration and operation of the Group are the responsibilities of senior management of different business divisions, and their functions and work tasks are periodically reviewed.

The Board gives clear directions to management as to their powers and circumstances where management should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Group that are outside the limits of the authority given to them by the Board.

The relevant roles of the Board and management and their relationships are clearly delineated, and functions reserved to the Board and those delegated to management are set out in a Board Charter adopted since 2008. The Board Charter is reviewed by the Board annually to ensure that it remains appropriate to meet the Company's needs.

The Board continues to seek improvement in its functioning. To this end, the Chairman holds informal meetings with the Independent Non-executive Directors at least annually, without the presence of other Directors and management, to evaluate the performance of the Board and management. Informal meetings would also be held between the Executive Directors and the Non-executive Directors to promote effective working relationship.

Composition

At the date of this report, the Board comprises six members, including two Executive Directors and four Non-executive Directors, three of whom are Independent Non-executive Directors. The existing composition of the Board is set out as follows:

Executive Directors:

Mr. Lo Hong Sui, Vincent *(Chairman)*

Mr. Lee Chun Kong, Freddy *(Chief Executive Officer)*

Non-executive Director:

Ms. Lo Bo Yue, Stephanie

Independent Non-executive Directors:

Ms. Li Hoi Lun, Helen

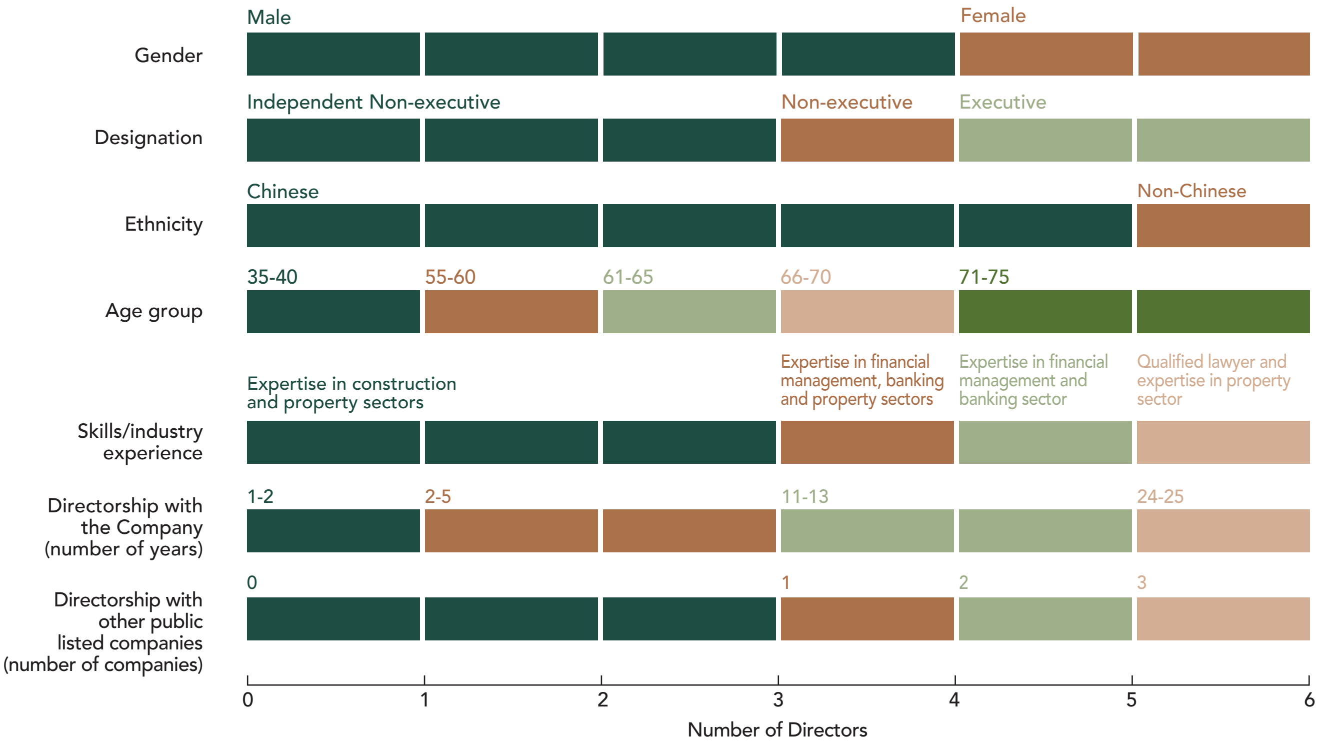
Mr. Chan Kay Cheung

Mr. William Timothy Addison

The Company has met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board, with two of them possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has received written annual confirmation from each Independent Non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all of its Independent Non-executive Directors to be independent of management and free of any relationship that could materially interfere with the exercise of their judgment.

The composition, structure and size of the Board are reviewed at least annually by the Nomination Committee to ensure that it has a balance of appropriate skills, experience and diversity of perspectives to meet the business needs of the Group.

An analysis of the existing Board composition is set out in the following chart:



Members of the Board have a diverse range of business, financial and professional expertise. Brief biographical details of the Directors are set out in the Directors and Senior Management section of this Annual Report.

Chairman and Chief Executive Officer

The distinct roles of the Chairman and the Chief Executive Officer are acknowledged. Their respective responsibilities are clearly defined in the Board Charter.

The Chairman is responsible for ensuring the effectiveness of the Board in fulfilling its roles and responsibilities. He provides leadership to the Board in setting the overall strategy and making major development decisions of the Group and monitoring their implementation, to ensure value creation for shareholders. He takes part in cultivating and maintaining good relationships with strategic associates and creating a favourable environment for the development of the Group's businesses.

The Chief Executive Officer is responsible for leading the management and day-to-day operation of the business divisions to achieve their business and financial targets, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board.

Appointment, re-election and removal of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Bye-laws of the Company. The Board, with the recommendation of the Nomination Committee, is responsible for developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession of Directors and assessing the independence of Independent Non-executive Directors.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In 2013, the Board adopted a Board Diversity Policy upon the recommendation of the Nomination Committee to set out the approach to achieve diversity of the Board. A summary of the Board Diversity Policy is provided in the Nomination Committee Report contained in this Annual Report.

The process for the nomination of Directors is led by the Nomination Committee. When recommending nominations to the Board for approval, the Nomination Committee will consider the merit and contribution that the selected candidates will bring to the Board, having due regard to a range of diversity perspectives (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) as set out in the Board Diversity Policy. In 2018, upon the recommendation of the Nomination Committee, the Board formally adopted a Nomination Policy setting out the nomination procedures and the process and criteria to select and recommend candidates for directorship. A summary of the Nomination Policy is provided in the Nomination Committee Report contained in this Annual Report.

Each of the Non-executive Directors of the Company is appointed for a specific term of two years, subject to the provisions on Directors' retirement and re-election as set out in the Bye-laws of the Company. All Directors appointed by the Board in the case of filling a casual vacancy shall hold office only until the next general meeting of the Company, while those appointed as an addition to the Board shall hold office until the next annual general meeting of the Company. Besides, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at the annual general meeting of the Company at least once every three years. All retiring Directors shall be eligible for re-election by shareholders at the general meetings of the Company.

In accordance with the Bye-laws of the Company, Mr. Chan Kay Cheung and Mr. William Timothy Addison shall retire at the forthcoming annual general meeting of the Company to be held on 1 June 2021. All the said Directors, being eligible, will offer themselves for re-election at the annual general meeting.

Board Committees

The Board has set up six standing Committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Finance Committee, the Investment Committee and the Executive Committee, to oversee particular aspects of the Group's affairs.

Each of these Committees has been established with written terms of reference, which were approved by the Board, setting out the Committee's major duties. The terms of reference of the Committees are reviewed by the Board from time to time to cope with any regulatory changes and the needs of the Company. The updated terms of reference of the various Committees are available on the websites of the Company and the Stock Exchange.

Code provision B.1.2 of the CG Code provides that the terms of reference of the Remuneration Committee should include, among others, the responsibilities to (i) determine or make recommendations to the Board on the remuneration packages of individual Executive Director and senior management; (ii) review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment; and (iii) review and approve the remuneration proposals for management with reference to the Board's corporate goals and objectives. The Remuneration Committee has reviewed its functions and considered that these responsibilities in relation to the remuneration and compensation of management should be vested in the Executive Directors who have a better understanding of the level of expertise, experience and performance expected of the management in the daily business operations of the Group. The Remuneration Committee would continue to be primarily responsible for the review and determination of the remuneration package of individual Executive Director. After due consideration, the Board adopted the revised terms of reference of the Remuneration Committee with the said responsibilities in relation to the remuneration and compensation of management excluded from its scope of duties, which deviates from code provision B.1.2. Notwithstanding such deviation, the Remuneration Committee is still responsible for reviewing, approving and making recommendations to the Board on the guiding principles applicable to the determination of the remuneration packages of senior management.

Having reviewed the practices and procedures of remuneration committees in other jurisdictions, the Remuneration Committee decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration. Such recommendations were made to the Board by the Chairman of the Company, taking the advice of external professionals as appropriate. This practice has been formally adopted, and the Board approved the amendment to the terms of reference of the Remuneration Committee in this respect, which also deviates from the stipulation in code provision B.1.2 that the Remuneration Committee should make recommendations to the Board on the remuneration of Non-executive Directors. The Non-executive Directors abstain from voting in respect of the determination of their own remuneration at the relevant Board meetings.

The Board Committees are provided with sufficient resources to discharge their duties and, upon request, are able to seek independent professional advice at the Company's expense.

The major roles, compositions and frequencies of meetings of the Board Committees are summarised as follows:

	Major roles and functions	Composition	Frequency of meetings
Audit Committee	• To review the consolidated financial statements of the Group • To review the accounting policies adopted by the Group and their implementation • To review the effectiveness of the risk management and internal control systems • To oversee the engagement of, services provided by and remuneration of the external auditor and its independence • To review and monitor the effectiveness of the internal audit function	Independent Non-executive Directors Mr. Chan Kay Cheung *(Chairman)* Ms. Li Hoi Lun, Helen Mr. William Timothy Addison	At least four times a year
Remuneration Committee	• To make recommendations to the Board on the policy and structure for remuneration of Directors and senior management • To determine the remuneration package of individual Executive Director • To review and approve performance-based remuneration of Executive Directors with reference to the corporate goals and objectives	Independent Non-executive Directors Ms. Li Hoi Lun, Helen *(Chairman)* Mr. Chan Kay Cheung Mr. William Timothy Addison Executive Director Mr. Lo Hong Sui, Vincent Non-executive Director Ms. Lo Bo Yue, Stephanie	At least twice a year

	Major roles and functions	Composition	Frequency of meetings
Nomination Committee	• To review the structure, size and composition of the Board at least annually • To make recommendations to the Board on candidates nominated for appointment or re-appointment as Directors in accordance with the Nomination Policy and on succession planning for Directors • To make recommendations to the Board on membership of the Board Committees • To assess the independence of Independent Non-executive Directors • To review annually the time commitment required of Directors • To review the Board Diversity Policy and monitor its implementation	Executive Director Mr. Lo Hong Sui, Vincent *(Chairman)* Non-executive Director Ms. Lo Bo Yue, Stephanie Independent Non-executive Directors Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung Mr. William Timothy Addison	At least once a year
Finance Committee	• To set overall financial objectives and strategies for the Group • To adopt a set of financial policies for the Group and oversee its consistent application throughout the Group • To review funding for investment projects/major capital expenditure to be undertaken and advise on the financing viability of the investment projects/major capital expenditure • To monitor cash flow and review financing requirements of the Group and compliance of bank loan and bond covenants	Executive Director Mr. Lee Chun Kong, Freddy *(Chairman)* Independent Non-executive Directors Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung Mr. William Timothy Addison	At least four times a year

	Major roles and functions	Composition	Frequency of meetings
Investment Committee	• To review investment and disposal recommendations on target property projects and projects currently owned by the Group respectively • To make recommendation to the Board as to whether the Group should acquire a property project or, as the case may be, dispose of a property project and if so, the terms, timing and strategy • To review the overall investment/ divestment strategy of the Group, make recommendation to the Board on any proposed change to the strategy, and monitor its implementation	Executive Director Mr. Lee Chun Kong, Freddy *(Chairman)* Independent Non-executive Directors Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung Mr. William Timothy Addison	On an as needed basis
Executive Committee	• To monitor the macro business environment and market trends with respect to the current and potential business areas of the Group • To evaluate and set business strategies for ensuring the long-term growth and competitiveness of the core businesses of the Group • To formulate corporate goals and plans and allocate human and financial resources for their execution • To monitor the execution of approved strategies and business plans • To review and approve acquisitions and disposals of assets in the ordinary course of business with investment costs/net book values not exceeding certain thresholds • To review the operating performance and financial position of the Company and its strategic business units on a monthly basis	Executive Directors Mr. Lee Chun Kong, Freddy *(Chairman)* Mr. Lo Hong Sui, Vincent Other key executives including heads of various business units, the corporate development and finance & accounting functions	Monthly

The work performed by the Audit Committee, the Remuneration Committee and the Nomination Committee is summarised in the separate reports of these Committees contained in this Annual Report.

Board and Board Committee meetings

The Board meets regularly at least four times a year to review and discuss the Group's strategies, operating and financial performance as well as governance matters, in addition to meetings for ad hoc matters. The frequencies of the Board Committee meetings have been set out in the section above.

Regular Board meetings are scheduled in advance each year to facilitate maximum attendance of Directors. At least 14 days' notice of a regular Board meeting is given to all Directors who are given an opportunity to include matters for discussion in the agenda. For regular meetings of the Board Committees, the same practice is followed so far as is practicable.

Papers for Board meetings or Committee meetings together with all relevant information are normally sent to all Directors or Committee members at least three days before each meeting to enable them to make informed decisions with sufficient details.

Relevant senior executives are invited to attend the regular Board meetings and, where necessary, other Board and Board Committee meetings to make presentations and answer enquiries.

The Company Secretary of the Company is responsible for maintaining minutes of all meetings of the Board and its Committees. Draft minutes are circulated to Directors for comment within a reasonable time after each meeting and the final version thereof, as approved formally by the Board or the relevant Committee, is filed for record purposes. All Directors have access to the minutes of the Board and Committee meetings of the Company.

According to the current Board practice, any material transaction involving a conflict of interest with a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-laws also contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Access to information

Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Management has an obligation to supply to the Board and its Committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. A Director's portal has been in place to facilitate online access to information needed by Board members, including all papers and minutes for the meetings of the Board and its Committees and the monthly management updates on the Group's financials. Each Director also has separate and independent access to management.

Directors' commitment

Each Director is expected to give sufficient time and attention to the affairs of the Group. The Board, through the Nomination Committee, reviews annually the time commitment required of Directors to perform their responsibilities. All Directors have disclosed to the Company the number and nature of offices held in public listed companies and other organisations as well as other significant commitments, with the identity of the public listed companies and other organisations and an indication of the time involved. Each Director is also requested to provide a confirmation to the Company semi-annually and notify the Company Secretary in a timely manner of any change of such information.

The individual attendance records of each Director at the Board and Committee meetings as well as the annual general meeting of the Company held in 2020 are set out below:

	Number of meetings attended/entitled to attend						
Name of Director	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meeting	Finance Committee meetings	Executive Committee meetings	Annual general meeting
Mr. Lo Hong Sui, Vincent	4/4	N/A	2/2	1/1	N/A	4/12	1/1
Mr. Lee Chun Kong, Freddy	4/4	N/A (Note)	N/A	N/A	4/4	12/12	1/1
Ms. Lo Bo Yue, Stephanie	4/4	N/A	2/2	1/1	N/A	N/A	0/1
Ms. Li Hoi Lun, Helen	4/4	4/4	2/2	1/1	4/4	N/A	1/1
Mr. Chan Kay Cheung	4/4	4/4	2/2	1/1	4/4	N/A	1/1
Mr. William Timothy Addison	4/4	3/4	2/2	1/1	3/4	N/A	0/1

Note: By invitation, Mr. Lee Chun Kong, Freddy, being the Chief Executive Officer of the Company, attended all meetings of the Audit Committee held in 2020.

Induction, training and continuous professional development

On appointment, Directors are provided with comprehensive induction to ensure that they have appropriate understanding of the Group's operations and governance policies as well as their responsibilities and obligations. Each new Director receives an induction package containing information about the business activities and organisation structure of the Group, its principal policies and procedures, the guidelines on directors' duties plus relevant statutory and regulatory requirements. Briefings are conducted by senior executives, supplemented by visits to selected operational sites, to provide to the new Directors a better understanding of the operations and policies of the Group.

To help Directors keep abreast of the legal and regulatory developments as well as the current trends and issues facing the Group, the Company continues its efforts in providing updates on the changes in applicable rules and regulations from time to time and recommending/ organising seminars and internal briefing sessions to the Directors. Site visits to the projects of the Group are also arranged for the Directors as and when appropriate.

During 2020, in addition to attending management briefings and reviewing papers in relation to the Group's businesses and strategies, the Directors participated in the following training activities arranged by the Company:

Name of Director	Attending seminar (Note 1)	Reading materials/ attending e-training (Note 2)
Mr. Lo Hong Sui, Vincent	✓	✓
Mr. Lee Chun Kong, Freddy	✓	✓
Ms. Lo Bo Yue, Stephanie		✓
Ms. Li Hoi Lun, Helen	✓	✓
Mr. Chan Kay Cheung	✓	✓
Mr. William Timothy Addison	✓	✓

Notes:

1. Seminar entitled "Top Tips for Recent Risks: COVID-19 and Record Keeping", presented by an external solicitor.
2. Covering topics relating to regulatory requirements on corporate governance.

The Directors acknowledge the need for continuous professional development to update and refresh their skills and knowledge necessary for the performance of their duties, and the Company provides support whenever relevant and necessary. All Directors are required to provide the Company with the records of the training they received annually.

The Board also recognises the importance of ongoing professional development of senior management so that they can continue contributing to the Company. To keep them abreast of the market development and applicable rules and regulations for the fulfilment of their duties and responsibilities, the Company has in place a programme for continuous professional development of senior management. Such programme is reviewed by the Board annually to ensure its effectiveness, and all members of senior management are required to provide the Company with the records of the training they received annually.

Directors' insurance

The Company has arranged appropriate insurance cover for the Directors in connection with the discharge of their responsibilities.

THE MODEL CODE FOR SECURITIES TRANSACTIONS

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 standards set out in the Model Code throughout the year ended 31 December 2020.

The Company has also established written guidelines on no less exacting terms than the Model Code for dealings in the Company's securities by relevant employees who are likely to be in possession of unpublished inside information in relation to the Company or its securities.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment in respect of annual and interim reports, announcements of inside information and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for each financial period.

The following statement, which should be read in conjunction with the independent external auditor's report, is made with a view to distinguishing for shareholders how the responsibilities of the Directors differ from those of the external auditor in relation to the financial statements.

Annual report and financial statements

The Directors are responsible for the preparation of financial statements, which give a true and fair view of the state of affairs of the Group at the end of the financial year and of the profit or loss for the financial year. The Directors have prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Accounting policies

The Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed.

Accounting records

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Hong Kong Companies Ordinance and the Listing Rules.

Safeguarding assets

The Board is responsible for safeguarding the assets of the Company and for taking reasonable steps for preventing and detecting fraud and other irregularities.

Going concern

After making appropriate enquiries and examining major areas which could give rise to significant financial exposures, the Board is satisfied that no material or significant exposures exist, other than as reflected in this Annual Report. The Board therefore has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

EXTERNAL AUDITOR'S REMUNERATION

The Company has in place a formal policy on engaging non-audit services from its external auditor to ensure that the independence and objectivity of the external auditor would not be impaired by its provision of any non-audit services to the Group.

For the year ended 31 December 2020, the remuneration paid/payable to the external auditor of the Company in respect of audit services and non-audit services amounted to approximately HK$4.1 million and HK$1.2 million respectively. The fees for provision of the non-audit services by the external auditor are set out as follows:

Non-audit services	Fees (HK$'000)
Review of the interim report for the six months ended 30 June 2020	1,150
Report on continuing connected transaction for the year ended 31 December 2020	50
Agreed-upon procedures in relation to preliminary results announcement for the year ended 31 December 2020	45

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has overall responsibility for the maintenance of sound risk management and internal control systems within the Group and reviewing their effectiveness. The Board has delegated to management the implementation and monitoring of such systems.

The Board has entrusted the Audit Committee with the responsibility to review the risk management and internal control systems of the Group, which include financial, operational and compliance controls. A risk management system is in place to ensure the regular identification, assessment and management of the risks faced by the Group. Procedures have been set up for, inter alia, safeguarding assets against unauthorised use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications. Management throughout the Group maintains and monitors the risk management and internal control systems on an ongoing basis.

The Board has conducted a review of the Group's risk management and internal control systems for the year ended 31 December 2020, including financial, operational and compliance controls, and assessed the effectiveness of such systems by considering the work performed by the Audit Committee, executive management, external and internal auditors. The Board was satisfied that the systems are effective and adequate for their purposes.

Internal audit

The internal audit function, which is fully independent of the daily operations of the Group, is carried out by the Company's Corporate Evaluation Department ("CE"), the senior executive in charge of which reports directly to the Audit Committee with unrestricted access to all the Group's assets, records and personnel in the course of audit, and at the Audit Committee's instruction, briefs the Chief Executive Officer on the results of all internal audit assignments. The Chief Executive Officer, with the approval of the Audit Committee, may instruct the senior executive in charge of CE to undertake internal audit activities of an urgent or sensitive nature. All other Directors are informed of the findings of these assignments. When considered appropriate and with the approval of the Audit Committee, certain review work is outsourced because of the need for assistance of specialists or due to the high volume of work to be undertaken during a specific period of time.

The senior executive in charge of CE attends all Audit Committee meetings to explain the internal audit findings and respond to queries from members. Four meetings were held by the Audit Committee in 2020 and details of the major areas reviewed are set out in the Audit Committee Report contained in this Annual Report. The Audit Committee regularly reviews the risk-based audit plan and progress as well as key performance indicators relating to the work of CE and considers its view on the latest specific risk assessments of the Group.

Risk management and internal control

The Group has diverse business activities for which a high level of autonomy in operational matters has been vested in divisional managers who are also responsible for the development of their divisions. In the circumstance, well-designed systems of risk management and internal controls are necessary to help the Group achieve its long-term objectives. The systems and policies of the Group are designed to minimise internal control risks and manage business risks, protect the assets of the Group from loss or impairment, accurately report the performance of the Group and its financial position, and ensure compliance of relevant legislation, rules and regulations. This includes taking into consideration social, environmental and ethical matters. The systems, which are annually reviewed by the Board to ensure their effectiveness, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A Risk Management Policy has been put in place to ensure the regular identification, assessment and management of the risks faced by the Group. The Chief Executive Officer, as Chief Risk Officer, takes the lead in the effective implementation of the Risk Management Policy by all business and functional units. Risk assessment and prioritisation are an integral part of the annual planning process. Each business/functional unit is to set its strategic objectives, identify specific risks and assess the effectiveness of its risk management actions and internal control measures to help ensure that the risks it faces are addressed by the controls that have been or will be implemented. Adequacy and effectiveness of the risk management and internal control systems of the Group were confirmed by management in written form and independently appraised by CE with the result submitted to the Board. Adequate in-house and external trainings are arranged for management staff to ensure proper appreciation and implementation of risk management system. During the year ended 31 December 2020, CE carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group through, among others, observation in a discussion session of the Management Committee and examination of risk-related documentation as well as internal control self-assessment questionnaires developed with reference to the latest framework of The Committee of Sponsoring Organisations of the Treadway Commission. Further details about the Group's risk management framework and process are set out in the Risk Management Report contained in this Annual Report.

The Audit Committee reports to the Board on any material matters that have arisen from the Committee's review of how the risk management and internal control processes have been applied including any major control weakness noted. Management is asked to resolve the weaknesses identified by them and auditors in the agreed timeframe, and is required to report the status to the Audit Committee for considering the significance of both the resolved and unresolved weaknesses to the Group.

Whistle-blowing mechanism

A Whistle-blowing Policy has been put in place for the Group's employees to follow when they believe reasonably and in good faith that fraud, malpractices or violations of the Group's Code of Conduct on Business Ethics exist in the workplace. Vendors, customers and business partners of the Group are encouraged to use this channel to voice concerns directly about improprieties they come across. A designated officer, usually the senior executive in charge of the internal audit function, will be appointed by the Chairman of the Audit Committee to manage the reports. Effort will be made as far as practicable to protect the confidentiality of all information sources and identities of parties making reports. Further details about the policy are available on the website of the Company.

SHAREHOLDER AND INVESTOR RELATIONS

The Board places considerable importance on communication with shareholders and recognises the significance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the most informed investment decisions. To ensure effective ongoing dialogue with shareholders, a Shareholders' Communication Policy was adopted by the Board in 2012. The Policy is available on the Company's website and is regularly reviewed to ensure its effectiveness.

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars published in accordance with the Listing Rules. Such published documents, together with the latest corporate information and news, are also available on the Company's website.

The annual general meeting of the Company provides a valuable forum for the Board to communicate directly with shareholders each year. The Chairman of the Board or, in his absence, the Chief Executive Officer chairs the annual general meeting to answer any questions from shareholders. In addition, the chairpersons of the various Board Committees, or in their absence, other members of the relevant Committees and the Company's external auditor are available to answer questions at the meeting.

The Company also maintains an ongoing active dialogue with institutional shareholders. The Chairman and the Chief Executive Officer are closely involved in promoting investor relations. Meetings and briefings with financial analysts and investors are conducted by the Chief Executive Officer.

Systems are in place for the protection and proper disclosure of information that has not already been made public. For further enhancement in this respect, the Company's Disclosure Policy was adopted by the Board in 2012 to set out the Company's approach towards the determination and dissemination of inside information and the circumstances under which the confidentiality of information shall be maintained. The Directors adhere strictly to the statutory requirement for their responsibilities of keeping information confidential.

SHAREHOLDERS' RIGHTS

Pursuant to the Companies Act 1981 of Bermuda (as amended) (the "Bermuda Companies Act") and the Bye-laws of the Company, shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition, to convene a special general meeting. The requisition must specify the purposes of the meeting and must be signed by the requisitionists (with their names and shareholding in the Company clearly stated for verification purpose) and deposited at the head office of the Company in Hong Kong (for the attention of the Company Secretary). If, within 21 days from the date of such deposit, the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one half of their total voting rights, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date and the meeting shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors as provided in the Bermuda Companies Act and the Bye-laws of the Company. All reasonable expenses incurred by the requisitionists for convening the meeting shall be reimbursed to the requisitionists by the Company.

Pursuant to Section 79 of the Bermuda Companies Act, any shareholders holding not less than one-twentieth of the total voting rights of all shareholders having a right to vote at a general meeting of the Company, or a number of not less than 100 shareholders, can submit a written requisition to move a resolution at a general meeting. The requisition must be accompanied by a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. It must also be signed by all the requisitionists (with their names and shareholding in the Company clearly stated for verification purpose) and deposited at the head office of the Company in Hong Kong (for the attention of the Company Secretary) not less than six weeks before the general meeting in case of a requisition requiring notice of a resolution, or not less than one week before the general meeting in case of any other requisitions. For a proposal in relation to the election of a person as a Director of the Company, the relevant procedures are set out in the document titled "Procedures for Shareholders to Elect Directors" which is available on the website of the Company.

Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publicly available. Such request shall be in written form and addressed to the Company's Corporate Communications Head at the head office of the Company in Hong Kong or through email at socamcc@shuion.com.hk. Shareholders should direct their enquiries about their individual shareholding information to the Company's branch share registrar in Hong Kong, Tricor Standard Limited. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the head office of the Company.

CONSTITUTIONAL DOCUMENTS

No changes have been made to the Memorandum of Association and Bye-laws of the Company in 2020. The latest version of the Company's Memorandum of Association and Bye-laws is available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code, but about promoting and developing an ethical and healthy corporate culture. We will continue to review, and where appropriate, improve our current practices on the basis of our experience, regulatory changes and development.

On behalf of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 26 March 2021

AUDIT COMMITTEE REPORT

The members of the Audit Committee at the date of this report are shown below:

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

All the Committee members are Independent Non-executive Directors of the Company, with both the Chairman and Mr. William Timothy Addison having the appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). No member of the Audit Committee is a former partner of the Company's existing external auditor. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public listed companies.

ROLE AND DUTIES

Under its terms of reference, the principal responsibilities of the Audit Committee include the review of both the Group's consolidated financial statements and the effectiveness of its risk management and internal control systems. The Audit Committee also oversees the engagement of the external auditor and reviews its independence as well as the effectiveness of the audit process. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

SUMMARY OF WORK DONE

The Audit Committee held four meetings in 2020. Members' attendance records at the Committee meetings are set out in the Corporate Governance Report contained in this Annual Report.

During 2020, the Audit Committee:

- reviewed and discussed with management and external auditor the audited consolidated financial statements of the Group for the year ended 31 December 2019 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related final results announcement, with a recommendation to the Board for approval after due consideration given to the matters raised by staff responsible for the accounting and financial reporting, compliance and internal audit functions;
- reviewed the disclosures in the Corporate Governance Report, the Audit Committee Report, the Risk Management Report and the Environmental, Social and Governance ("ESG") Report included in the 2019 Annual Report of the Company, with a recommendation to the Board for approval;
- reviewed and discussed with management and external auditor the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related interim results announcement, with a recommendation to the Board for approval;
- reviewed and considered the reports and management letters submitted by the external auditor, which summarised matters arising from its audit of the Group's consolidated financial statements for the year ended 31 December 2019 and its review of the Group's condensed consolidated financial statements for the six months ended 30 June 2020;
- reviewed and considered the reports of the Company's Corporate Evaluation Department ("CE", which undertakes the internal audit function) on the business risks of selected property and construction projects of the Group in Mainland China and Hong Kong respectively;
- reviewed and considered the reports of CE on the business risks and the operational and/or financial controls of the Group's building construction and fitting-out businesses in Hong Kong;
- reviewed and considered the reports of CE on complaints received regarding two cases;
- reviewed and considered the report of CE on the cyber security risks pertaining to the Group;
- reviewed and considered the report of CE on the test check of special control points responded by management in the self-assessment questionnaire for the review of the Group's internal control systems;

- considered the report of the Company's Sustainability Steering Committee on the sustainability strategy of the Group, including the ESG aspect, and endorsed the related proposal of the said Committee, with a recommendation to the Board for approval;
- conducted an annual review of the Company's Risk Management Policy, Whistle-blowing Policy and Policy on Engaging Non-audit Services from External Auditor;
- reviewed the quarterly updates of CE on the risk situation of the Group;
- reviewed the quarterly reports of CE on connected transactions, including the compliance of the Company Policy on Connected Transactions;
- reviewed and considered the adequacy of the Group's provisions for doubtful debts on a quarterly basis;
- reviewed and considered the scope of work and fee proposals of the external auditor for the review of the Group's condensed consolidated financial statements for the six months ended 30 June 2020 and for the audit of the Group's consolidated financial statements for the year ended 31 December 2020;
- reviewed the key performance indicators and annual work programme of CE as well as its work progress, staffing and resources planning; and
- conducted a review of the effectiveness of the risk management and internal control systems of the Group at the year-end, which covered all material controls in financial, operational and compliance areas and included a review of the adequacy of resources, staff qualifications and experience, and training programmes and budgets of the Group's accounting, financial reporting and internal audit functions.

The Committee members also serve as the contact persons under the Whistle-blowing Policy of the Company. In 2020, complaints were received regarding alleged wrongdoings of one of the management staff of the Chengdu project company. The complaints were investigated by CE with appropriate actions taken by management pursuant to CE's recommendations.

The Committee reviews the Group's risk management and internal control systems annually based on the work of CE, the identification and assessment of risks by business and functional unit heads, and evaluation of the issues raised by the external auditor. As part of the Committee's review of these systems, the Committee examines the Group's framework and policies for identifying, assessing, and taking appropriate actions to contain the different types of risk in its various operations, and deal with the incidences of any significant control failings or weaknesses that have been identified and may give unforeseen outcomes about the Group's financial performance or condition.

In addition, the Committee keeps under constant review changes to the Hong Kong Financial Reporting Standards with the assistance of the senior executive in charge of CE and the external auditor to assess their application to the accounting policies adopted by the Group and, where applicable, their effective adoption by the Group.

All the recommendations of the Committee to management and the Board were accepted and implemented.

Subsequent to the financial year end, the Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2020, including the accounting principles and practices adopted by the Group, in conjunction with the external auditor, with a recommendation to the Board for approval.

The Committee was satisfied with the external auditor's work, its independence and objectivity, and therefore recommended the re-appointment of Deloitte Touche Tohmatsu as the Company's external auditor for 2021 for shareholders' approval at the forthcoming annual general meeting of the Company.

Chan Kay Cheung
Chairman, Audit Committee

Hong Kong, 26 March 2021

REMUNERATION COMMITTEE REPORT

The members of the Remuneration Committee at the date of this report are shown below:

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

With the exception of Mr. Lo Hong Sui, Vincent (Executive Director and Chairman of the Company) and Ms. Lo Bo Yue, Stephanie (Non-executive Director), the members of the Committee are Independent Non-executive Directors of the Company.

ROLE AND DUTIES

The Remuneration Committee has specific terms of reference, which are available on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Remuneration Committee is given the tasks to:

- make recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- determine, with delegated responsibility, the remuneration package of individual Executive Director, which include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of office or appointment), taking into account factors such as salaries paid by comparable companies, time commitment and responsibilities of the Director, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
- review and approve performance-based remuneration of Executive Directors with reference to corporate goals and objectives set by the Board from time to time;
- review and approve the compensation payable to Executive Directors for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and
- review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

Code provision B.1.2 of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange provides that the terms of reference of the Remuneration Committee should include, among others, the responsibilities to (i) determine or make recommendations to the Board on the remuneration packages of individual Executive Director and senior management; (ii) review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment; and (iii) review and approve the remuneration proposals for management with reference to the Board's corporate goals and objectives. The Remuneration Committee has reviewed its functions and considered that these responsibilities in relation to the remuneration and compensation of management should be vested in the Executive Directors who have a better understanding of the level of expertise, experience and performance expected of the management in the daily business operations of the Group. The Remuneration Committee would continue to be primarily responsible for the review and determination of the remuneration package of individual Executive Director. After due consideration, the Board adopted the revised terms of reference of the Remuneration Committee with the said responsibilities in relation to the remuneration and compensation of management excluded from its scope of duties, which deviates from code provision B.1.2. Notwithstanding such deviation, the Remuneration Committee is still responsible for reviewing, approving and making recommendations to the Board on the guiding principles applicable to the determination of the remuneration packages of senior management.

Having reviewed the practices and procedures of remuneration committees in other jurisdictions, the Remuneration Committee decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration. Such recommendations were made to the Board by the Chairman of the Company, taking the advice of external professionals as appropriate. This practice has been formally adopted, and the Board approved the amendment to the terms of reference of the Remuneration Committee in this respect, which also deviates from the stipulation in code provision B.1.2 that the Remuneration Committee should make recommendations to the Board on the remuneration of Non-executive Directors. The Non-executive Directors abstain from voting in respect of the determination of their own remuneration at the relevant Board meetings.

REMUNERATION POLICY

The remuneration of the Executive Directors of the Company is determined by the Remuneration Committee, having regard to the Group's operating results, individual role and performance and market statistics, while those of the Non-executive Directors (including Independent Non-executive Directors) are decided by the Board based on the recommendation of the Chairman of the Company that has taken into account their contributions to the Board and the market level of directors' fees. No individual Director is involved in deciding his or her own remuneration.

The remuneration policy of the Company for rewarding employees is based on their performance, qualifications and competence displayed. Through its remuneration policy, the Company aims to attract, motivate and retain competent, high calibre staff while ensuring that the remuneration is aligned with the corporate goals, objectives and performance.

The Remuneration Committee sets and maintains the policy for the remuneration of Executive Directors which is as follows:

- the balance between short-term and long-term elements of remuneration is important and should be retained;
- salary levels will continue to be reviewed regularly against those in companies of a similar size or nature listed on the Stock Exchange; and
- emphasis will be given to corporate and individual performance, taking into account the respective responsibilities of the Executive Directors, who will be rewarded by bonus payable for achievement of stretch targets and the grant of share options, where appropriate.

The Company's policy is to encourage the participation of Executive Directors and employees in the equity of the Company. In this regard, the Company has in place a share option scheme and details about the scheme are set out in the section headed "Share Options" below.

REMUNERATION STRUCTURE

The remuneration of the Executive Directors (where applicable) and senior management comprises salary and benefits, performance bonuses, pension scheme contributions, share option grants and long-term incentives. In determining remuneration appropriate for the Executive Directors concerned, developments in executive remuneration in Hong Kong, Mainland China and other parts of the world are reviewed and monitored from time to time with the assistance of external consultants engaged by the Company.

The Executive Director, Mr. Lee Chun Kong, Freddy, acting as Chief Executive Officer, is taking the accountability for the performance of the Group. As approved by the Remuneration Committee, the salary and bonus components of the remuneration of Mr. Freddy Lee for 2020 were set to be normally related to his aggregate cash remuneration as follows:

Cash remuneration components	Proportion
Salary and other benefits	Half
Bonus for achievement of targets (based 75% on corporate performance and 25% on personal performance)	Half

Where appropriate, to recognise the contribution of Mr. Freddy Lee, the bonus element could be increased, relative to performance delivered, by up to twice the amount that would be given normally. At the year-end, the Remuneration Committee further reviewed the rules of bonus awards to the Executive Director and Chief Executive Officer and considered that it was appropriate to apply the Balanced Scorecard framework for setting more measurable performance targets for Mr. Freddy Lee each year commencing from 2021 and the determination of his annual bonus should be 100% based on corporate performance as assessed with reference to the achievement of these targets.

Further details about the remuneration of the Company's Directors and senior management are set out in the below sections headed "Remuneration of Directors" and "Remuneration of Senior Management" respectively.

SHARE OPTIONS

The Company has in place a share option scheme for employees (including directors) of the Group, which was adopted on 22 August 2012 to replace the previous share option scheme that had expired on 30 August 2012.

To reward employees for their contributions to the success of the Group through acquisition of an interest in the share capital of the Company, the Board, upon the recommendation of the Remuneration Committee, might offer annual grants of share options to selected employees in Senior Manager grade and above, taking into account the financial performance of the Group as well as the individual performance and contribution of these employees during the relevant year. In view of the financial results of the Group, no annual grants of share options were made in the recent years.

In 2011, share options were granted to certain key executives under a long-term incentive plan adopted by the Board upon the recommendation of the Remuneration Committee. Details of the outstanding share options under this grant are set out in the Directors' Report contained in this Annual Report.

REMUNERATION OF DIRECTORS

The remuneration paid to those Directors of the Company who held the office during the year ended 31 December 2020 was as follows:

	Director's fees (Note 1) HK$'000	Salary and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	For the year ended 31 December 2020 Total HK$'000
Executive Directors				
Mr. Lo Hong Sui, Vincent	10	–	–	10
Mr. Lee Chun Kong, Freddy	10	7,259 (Note 2)	260	7,529
Non-executive Director				
Ms. Lo Bo Yue, Stephanie	315	–	–	315
Independent Non-executive Directors				
Ms. Li Hoi Lun, Helen	550	–	–	550
Mr. Chan Kay Cheung	595	–	–	595
Mr. William Timothy Addison	520	–	–	520
TOTAL	2,000	7,259	260	9,519

Notes:

1. According to the fee schedule as approved by the Board for the year ended 31 December 2020, each Executive Director was entitled to an annual fee of HK$10,000 while a Non-executive Director or an Independent Non-executive Director was entitled to an annual fee of HK$250,000. In addition, a Non-executive Director or an Independent Non-executive Director also received an annual fee for his/her chairmanship or membership in the following Board Committees:

Board Committees	Fees per annum HK$
Audit Committee chairmanship	150,000
Audit Committee membership	75,000
Remuneration Committee chairmanship	65,000
Remuneration Committee membership	35,000
Nomination Committee membership	30,000
Finance Committee membership	65,000
Investment Committee membership	65,000

2. The amount comprised (i) the salary and other benefits of Mr. Freddy Lee totaling HK$5,708,120 for his employment as Executive Director and Chief Executive Officer for the year ended 31 December 2020; and (ii) the bonus of HK$1,551,000 awarded to Mr. Freddy Lee for the achievement of the performance targets of the Group as well as some individual performance targets set for 2019.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration paid to the members of senior management for the year ended 31 December 2020 was within the following bands:

	Number of individuals
HK$2,000,000 – HK$4,000,000	2
HK$4,000,001 – HK$6,000,000	2
HK$6,000,001 – HK$9,000,000	2

SERVICE CONTRACTS

No service contract of any Director of the Company contains a notice period exceeding 12 months.

SUMMARY OF WORK DONE

The Remuneration Committee held two meetings in 2020. Members' attendance records at the Committee meetings are set out in the Corporate Governance Report contained in this Annual Report.

During 2020, the Remuneration Committee:

- considered and determined the amount of bonus awarded to the Executive Director and Chief Executive Officer based on corporate and personal performances for the year ended 31 December 2019;
- considered and decided that no annual grant of share options be made to management staff in view of the financial results of the Group for the year ended 31 December 2019;
- reviewed and endorsed the Remuneration Committee Report included in the 2019 Annual Report of the Company, with a recommendation to the Board for approval;
- reviewed the 2021 salary review guidelines for the Group as a whole and determined that no adjustment be made to the annual salary of the Executive Director and Chief Executive Officer in accordance with the guidelines; and
- considered and approved the proposed changes to the rules of bonus awards to the Executive Director and Chief Executive Officer.

Li Hoi Lun, Helen
Chairman, Remuneration Committee

Hong Kong, 26 March 2021

NOMINATION COMMITTEE REPORT

The members of the Nomination Committee at the date of this report are shown below:

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

With the exception of Mr. Lo Hong Sui, Vincent (Executive Director and Chairman of the Company) and Ms. Lo Bo Yue, Stephanie (Non-executive Director), the members of the Committee are Independent Non-executive Directors of the Company.

ROLE AND DUTIES

Under its terms of reference, the Nomination Committee is delegated by the Board with the following principal responsibilities:

- to review the structure, size and composition of the Board at least annually to ensure that it has a balance of appropriate skills, experience and diversity of perspectives to meet the business needs of the Group;
- to make recommendations to the Board on candidates nominated for appointment or re-appointment as Directors in accordance with the Nomination Policy and on succession planning for Directors;
- to make recommendations to the Board on membership of the Board Committees;
- to assess the independence of the Independent Non-executive Directors;
- to review annually the time commitment required of Directors; and
- to review the Board Diversity Policy and monitor its implementation.

The terms of reference of the Nomination Committee are available on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In 2013, upon the recommendation of the Nomination Committee, a Board Diversity Policy was adopted by the Board to set out the approach to achieve diversity of the Board.

All Board appointments will be based on meritocracy, and candidates will be considered against the objective criteria (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) as set out in the Board Diversity Policy, having due regard to the benefits of diversity. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Under its terms of reference, the Nomination Committee is delegated with the tasks to review the Board Diversity Policy, the measurable objectives that the Board has set for implementing this policy as well as the progress on achieving these objectives.

The Nomination Committee reviews the Board composition annually against the objective criteria as set out in the Board Diversity Policy. An analysis of the existing Board composition is set out in the Corporate Governance Report contained in this Annual Report. The Committee considers that the Board now has an appropriate mix of skills, experience and diversity among its members in light of the business needs of the Group. For future appointments to the Board, the Committee opines that educational background, professional experience, skills and knowledge are important elements that should be taken into account in view of the prevailing business strategy of the Group, while it is not appropriate to set specific requirements for such criteria as gender, ethnicity and age although due consideration should also be given to these criteria for the benefits of diversity.

NOMINATION POLICY

Upon the recommendation of the Nomination Committee, the Board formally adopted a Nomination Policy in 2018 to set out the nomination procedures and the process and criteria to select and recommend candidates for directorship.

In accordance with the Nomination Policy, the procedures and process in respect of the nomination of Directors are summarised below:

1. The Nomination Committee shall invite nomination of candidates from Board members, if any, for its consideration. The Committee may also put forward candidates who are not proposed by Board members. External recruitment agencies may be engaged to assist in identifying and selecting suitable candidates, if considered necessary.
2. For appointments to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for re-election at a general meeting, the Committee shall make nominations to the Board for its consideration and recommendation to shareholders of the Company.
3. A shareholder of the Company may also propose candidate for election as a Director at a general meeting in accordance with the procedures posted on the Company's website.

The following factors would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- reputation for integrity
- qualifications, skills and experience that are relevant to the Group's businesses having regard to the corporate strategy
- commitment in respect of available time and relevant interest
- diversity in all its aspects, including but not limited to those objective criteria as set out in the Board Diversity Policy

In the case of nominating the candidate for appointment or re-appointment as an Independent Non-executive Director, in addition to the above selection criteria to which the Nomination Committee would give due regard, the independence of the candidate would be assessed with reference to the independence criteria as set out in the Rules Governing the Listing of Securities on the Stock Exchange. If an Independent Non-executive Director serves more than nine consecutive years, particular attention would be given to reviewing the independence of such Director for determining his/her eligibility for nomination by the Board to stand for re-election at a general meeting.

SUMMARY OF WORK DONE

The Nomination Committee held one meeting and passed two written resolutions in 2020. Members' attendance records at the Committee meeting are set out in the Corporate Governance Report contained in this Annual Report.

During 2020, the Nomination Committee:

- reviewed the structure, size and composition of the Board against the objective criteria as set out in the Board Diversity Policy;
- reviewed the independence of the Independent Non-executive Directors;
- reviewed the time commitment required of Directors to perform their responsibilities;
- reviewed and endorsed the Nomination Committee Report included in the 2019 Annual Report, with a recommendation to the Board for approval;
- considered the proposed changes of the composition of the Executive Committee, with a recommendation to the Board for approval;
- considered the nomination of three retiring Directors for the Board's recommendation to stand for re-election by shareholders at the 2020 annual general meeting of the Company; and
- considered the renewal of service contracts with an Independent Non-executive Director and the Non-executive Director, with recommendations to the Board for approval.

Lo Hong Sui, Vincent
Chairman, Nomination Committee

Hong Kong, 26 March 2021

RISK MANAGEMENT REPORT

The Board is fully committed to risk management as an integral part of good corporate governance practices which are essential to the sustainable development of the Group.

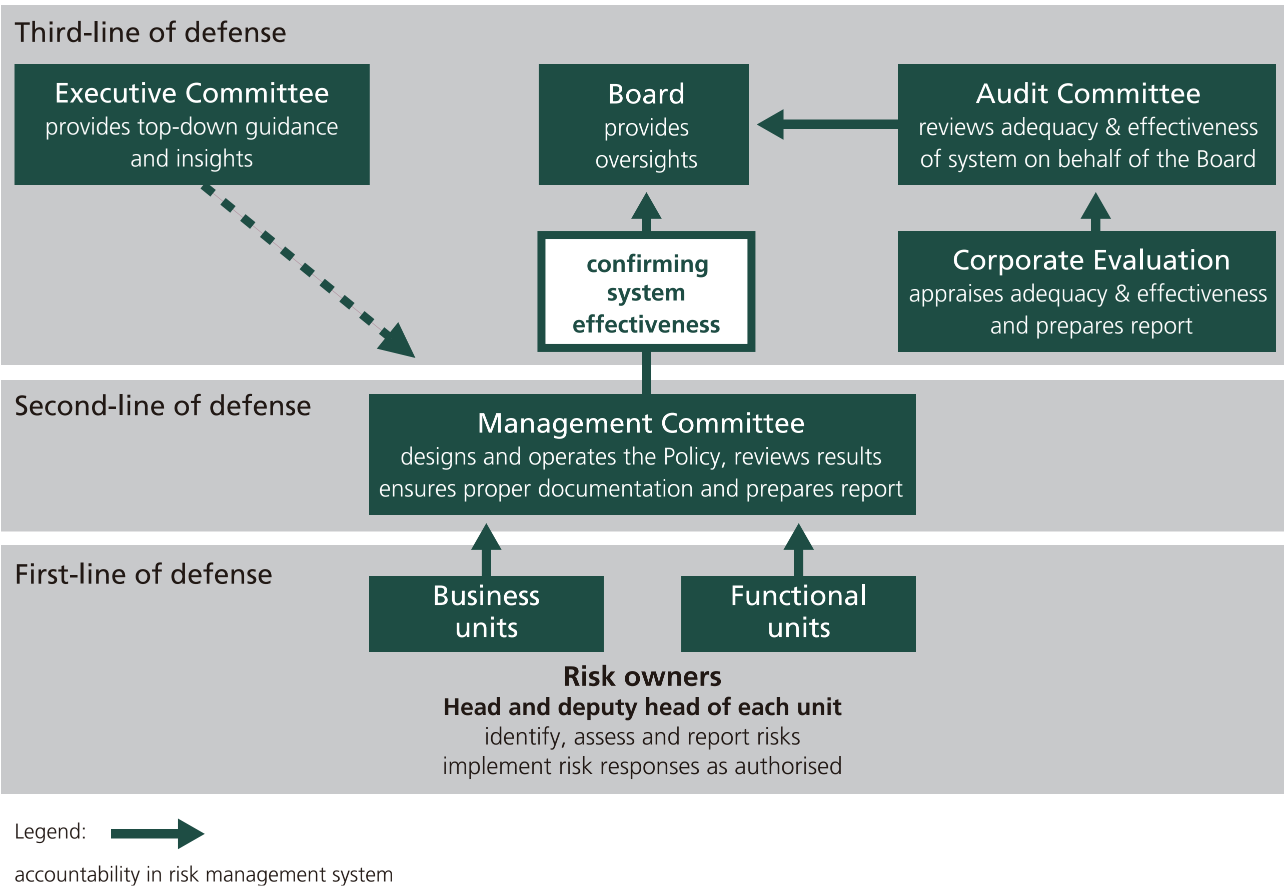
The Company has implemented a Risk Management Policy (the "Policy") since 2007 after the revision of the Code on Corporate Governance (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which required the Directors to review internal controls including risk management function. Since inception, the Policy has been revised several times in light of the changes in the Company's management structure, development of market practices and new releases of ISO Standards as well as framework of the Committee of Sponsoring Organisations of the Treadway Commission ("COSO").

Effective 1 January 2016, amendments to the CG Code set out in the Listing Rules relating to risk management and internal control systems triggered further improvements of the Group's practices. As stipulated in the revised CG Code, an internal audit function generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems. In 2017, the Company's Corporate Evaluation Department ("CE"), which undertakes the internal audit function, analysed the practices of some reputable listed groups and the concepts of new COSO release of Enterprise Risk Management – Integrating with Strategy and Performance, and provided advice to the Company on initiating further modification of the Policy.

As a result of the above and with considerations on the Group's circumstances, management proposed a number of important amendments to the Policy, which took effect in December 2017 after the review of the Audit Committee and approval of the Board. As recommended by the Audit Committee and approved by the Board, the Policy was further refined in August 2019 with the risk appetite statement therein more clearly defined. No amendment has been made to the Policy since then after annual review by the Audit Committee.

RISK GOVERNANCE STRUCTURE

The risk governance structure of the Company is depicted below:



The Management Committee has a responsibility for designing and operating effective system of risk management, and managing risks in order to achieve business objectives and match the risk appetite. It should be aware of the risks the Group should bear, and the risks which should be avoided or reported upwards for further consideration and feedback. As one of its members, the Chief Executive Officer takes the lead in the implementation of the Policy by all the business and functional units, having due regard to the relevant regulations, rules and trends of Hong Kong, Mainland China and other areas in which the Group operates. Meanwhile, guidance and insights from the Executive Committee are sought.

With the assistance of CE, the Audit Committee annually conducts a review of the effectiveness of the system of risk management with reference to the approaches suggested by the Institute of Internal Auditors and report to shareholders in the Annual Report of the Company. The senior executive in charge of CE has full access to all risk documentation for the purpose of independent appraisal of the adequacy and effectiveness of risk management system, and quarterly gives updates on the risk situation of the Group to the Audit Committee for monitoring.

FEATURES OF RISK MANAGEMENT POLICY

The Policy sets out the requirements to be met by all business and functional units in the development and implementation of the risk management system for the purpose of managing the risks as part of daily operations and decision-making.

Risk is defined as the possibility that events will occur and affect the Group's achievement of strategy and business objectives, which may:

- cause financial disadvantages to the Group, i.e. increase of costs or decrease of income; or
- lead to damages in the Group's reputation; or
- otherwise hinder the Group from achieving its strategy and objectives.

Risk management is the culture, capabilities and practices, integrated with strategy and execution, that the Group relies on to manage risk in creating, preserving, and realising value. Risks may be simply accepted, moderately controlled, intensively mitigated, or completely transferred to third parties.

Business units represent classification of the Group's operations, currently being the construction and property divisions. They may be changed over time with the development of the Group's business activities. Functional units represent legal, company secretarial & compliance, finance & accounting, human resources, and corporate communications.

RISK MANAGEMENT PROCESS

The Management Committee is responsible for steering the risk management process in an integrated approach in accordance with the Policy. The process involves the following steps:

- Risk identification – risk owners identify nature of specific risks using both bottom-up and top-down approaches.
- Risk assessment – risk owners anticipate and analyse all potential events, even with a remote chance, and rank the combined effect of impact and the likelihood into five levels (very-low, low, medium, high, very-high).
- Risk tolerance setting – Management Committee determines the maximum acceptable impact, likelihood thus risk level.
- Risk response – risk owners propose and execute the most appropriate responses to tackle specific risks identified in four ways (simply accept, moderately control, intensively mitigate, completely transfer). Risk responses are subject to challenge and test by CE and the Audit Committee.
- Risk monitoring – substantial change in risk assessment and its effect on the strategy and business objectives must be immediately referred to the Board.
- Risk reporting – risk owners submit annually the Policy Compliance Checklist, while Management Committee and CE annually prepare a report to illustrate the Group's risk management initiatives, latest risk portfolio, and the result of independent appraisal.

APPROACHES OF RISK IDENTIFICATION AND MONITORING

The Group adopts both bottom-up and top-down approaches to facilitate risk identification and monitoring.

Bottom-up approach:

Information relevant to existing and emerging risks is submitted monthly to the Management Committee through discussions at regular meeting, and the Risk Registers and the Risk Management Summary of respective business or functional units shall be updated as appropriate for timely review by the Chief Executive Officer.

Through a diligent process of consolidation and prioritisation, Management Committee and CE compile a Risk Management Report for annual review by the Audit Committee and the Board.

Quarterly update of risk assessments is given by CE in Audit Committee meetings with representative of the Management Committee present.

Top-down approach:

The Audit Committee has various channels for risk identification, for example, the material risks faced by market participants of the same industries, potential control weaknesses indicated through internal and external audit work and concerns of our stakeholders on social, environmental and governance issues.

The Management Committee is responsible for designing and operating effective system of risk management, and managing risks in order to achieve business objectives and match the risk appetite. The Executive Committee gives guidance and insights whenever appropriate.

RISK MANAGEMENT IN STRATEGY AND BUSINESS OBJECTIVES SETTING PROCESS

Business and functional units are required to identify all material risks that may impact the delivery of the Group's business objectives. Identified risks are evaluated based on the criteria set in the Policy to arrive at an optimal risk profile given the desired performance of the Group.

The principal risks currently being managed by the Group include:

Risks and change of levels from last year		Risk responses
Construction segment		
Concentration on key customers offering uneven workload due to changes of the HKSAR Government's housing policies, policy on expenditure on public new works and maintenance works	↔	Accept and monitor
Keen competition in the fit-out market with reduced workload in Hong Kong	↔	Focus on the high-end market; sharpen management skills to earn reputation of project performance with good business relationship; strive for customer satisfaction and quality excellence
Abrupt changes in material prices and labour wages	↔	Give careful considerations during tendering stage; make provisions for the forecast changes in material prices and labour wages, and pre-bid with competent suppliers and subcontractors for certain trades
Workmanship and material usage non-compliance	↔	Strictly implement the enhanced quality assurance system on site
Ineffective procurement and subcontracting systems	↑	Strictly enforce the tender process and controls

Risks and change of levels from last year		Risk responses
Construction segment (Continued)		
Adequacy of competent and loyal staff, who may not be retained without abrupt changes in pay levels	↔	Keep up the training effort; actively expand recruitment channels; improve development measures and initiatives to enhance staff commitment and engagement, as well as to reinforce staff loyalty and sense of belonging; regularly monitor pay level movements and take pro-active measures in reviewing pay levels
Availability of competent nominated and domestic subcontractors, which are suffering from shortage of skilled labour, while shortage of reliable suppliers may arise	↔	Continue to identify good performance subcontractors and suppliers and maintain good relationship with them; carefully consider the forecast change in labour wages; make effective use of credit terms
Complexity of contract clauses and potential contractual claims	↔	Carefully review and provide allowance for the risks of complex clauses and potential contractual claims in tenders
Property segment		
Over-supply of shopping malls in major Mainland cities, coupled with increased competition on lifestyle malls	↑	Reposition the Group's shopping malls; adjust composition of the tenants
High operating and property management costs compared to the size of existing property portfolio	↓	Reduce headcounts and general overhead costs in each regional office; heighten monitoring of expenses
Lack of new property projects, hence difficult to retain good staff and maintain business sustainability	↔	Develop more business initiatives, yet restricting to cities in which the teams have experience in operation
Low staff morale, commitment and sense of discipline	↑	Strengthen team building activities and training; reinforce company policies
Others		
Unexpected fluctuation of exchange rates, in particular Renminbi against Hong Kong Dollars	↔	Take out currency hedging contracts as appropriate; continue to monitor closely the movements of Renminbi
Rise in market interest rate and interest rates margin on the Group's bank borrowings	↓	Closely monitor market trend of global and local lending markets and enter swap or hedging arrangement or issue fixed coupon medium term bonds when appropriate
Manpower effectiveness in meeting change of business strategy and disruption of business due to outbreak of epidemic	↔	Carry out special review of manpower of relevant business operations at time of change in business strategy and outbreak of epidemic
Succession planning for key positions in the Group	↔	Plan and execute management development for the Company and its subsidiaries
Reputation risk arising from business operation crisis	↓	Conduct workshops for both management and operational staff

PROCESS FOR REVIEW OF RISK MANAGEMENT SYSTEM

By reviewing the Group's strategic plan, business plan and policies, and having discussions with the Audit Committee and senior management, the senior executive in charge of CE gains insight to assess whether the Group's strategic objectives support and align with its mission, values, and risk appetite. Conversations with management provide additional insight into the alignment of mission, objectives, and risk appetite at the business-unit level.

CE regularly examines the ways used by the Group to identify and address risks, and determines which of them are acceptable. In particular, the senior executive in charge evaluates the responsibilities and risk-related processes of those in key risk management roles, through review of completed risk assessments and relevant reports issued by management, external auditor, clients and their agents, etc.

Additionally, CE quarterly conducts its own risk assessments. Discussions with management and some of the Board members, in addition to a review of the Group's policies and meeting minutes, generally reveal the Group's risk appetite. To remain current on potential risk exposures and opportunities, CE frequently researches new developments and trends related to the industries participated by the Group, as well as processes used by management to monitor, assess and respond to such risks and opportunities. Independent analysis of unidentified changes in risks will be reported to the Audit Committee, together with recommendations to improve the risk management process and/or to rectify control defects.

Annually CE discusses in details with the heads of business and functional units about their assessments of risks and corresponding responses that have been chosen. Those with simple acceptance as the risk response shall accord to the Group's risk appetite, or the matters shall be further explored and reported to the Board. For those that management chooses to employ a control or mitigation measure as the risk response, CE normally evaluates the effectiveness of respective actions taken through enquiry, and sometimes tests the controls and monitoring procedures during routine and non-routine audits.

To assess whether relevant risk information is captured and communicated timely across the Group, CE interviews the concerned staff at various levels to determine whether the Group's objectives, significant risks and risk appetite are articulated sufficiently and understood throughout the Group. Moreover, aided by frequent reviews of meeting minutes of the Executive Committee and the Management Committee, CE evaluates the adequacy and timeliness of management's reporting of and response to risks.

During the year, the Audit Committee quarterly queried the Chief Executive Officer and finance executives about identified risks and management's responses, and conducted a review of the effectiveness of the risk management system, with reference to the approaches suggested by the Institute of Internal Auditors. The affirmative result was reported to the Board.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries and joint ventures are set out in notes 40 and 41 to the consolidated financial statements respectively.

BUSINESS REVIEW

A fair review of the businesses of the Group during the year and a discussion on the Group's business outlook are provided in the Chairman's Statement and the Management Discussion and Analysis sections of this Annual Report. A description of the principal risks and uncertainties facing the Group can be found in the abovementioned sections and the Risk Management Report contained in this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in note 37 to the consolidated financial statements. The Directors are not aware of any important events affecting the Group that have occurred since the end of the financial year on 31 December 2020.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights and Financial Review sections of this Annual Report. In addition, discussions on the Group's environmental policies, including compliance with the relevant laws and regulations that have a significant impact on the Group, and relationships with its key stakeholders are included in the Environmental, Social and Governance Report contained in this Annual Report.

All references herein to other sections or reports in this Annual Report form part of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the Consolidated Statement of Profit or Loss.

The Directors do not recommend the payment of a final dividend.

DIVIDEND POLICY

The dividend policy of the Company is to distribute to shareholders funds surplus to the operating needs of the Group as determined by the Directors with a dividend payout ratio of not more than 20% of the consolidated net profit of the Group for each financial year, after taking into account the following factors:

- the Group's financial results
- shareholders' interests
- general business conditions and strategies
- the Group's funding requirements
- restrictions under any bank loan and bond covenants
- statutory and regulatory restrictions and provisions in the Company's Bye-laws
- any other factors that the Directors may deem relevant

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity.

At 31 December 2020, no reserves were available for distribution to shareholders by the Company.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year are set out in note 14 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Mr. Lo Hong Sui, Vincent
Mr. Lee Chun Kong, Freddy

Non-executive Director:

Ms. Lo Bo Yue, Stephanie

Independent Non-executive Directors:

Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. William Timothy Addison

In accordance with Bye-law 87(1) of the Bye-laws of the Company, Mr. Chan Kay Cheung and Mr. William Timothy Addison shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "2021 AGM") of the Company to be held on 1 June 2021.

No Director proposed for re-election at the 2021 AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INDEMNITIES

Pursuant to the Bye-laws of the Company and subject to the relevant provision therein, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur in or sustain by the execution of his/her duty or otherwise in relation thereto. The Company has arranged appropriate insurance cover for the Directors in connection with the discharge of their responsibilities.

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2020, the interests of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in the shares of the Company

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

Notes:

1. Based on 374,396,164 shares of the Company in issue at 31 December 2020.
2. These shares were beneficially owned by Ms. Loletta Chu ("Mrs. Lo"), the spouse of Mr. Lo. Under the SFO, Mr. Lo was deemed to be interested in such shares and both Mr. Lo and Mrs. Lo were also deemed to be interested in 234,381,000 shares mentioned in Note 3 below.
3. These shares comprised 232,148,000 shares beneficially owned by Shui On Company Limited ("SOCL") and 2,233,000 shares held by Shui On Finance Company Limited ("SOFCL"), an indirect wholly-owned subsidiary of SOCL. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and both Mr. Lo and Ms. Lo were discretionary beneficiaries and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.

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

Name of Director	Name of associated corporation	Number of shares/underlying shares: Personal interests	Family interests	Other interests	Total	Approximate percentage of issued shares (Note 1)
Mr. Lo	Shui On Land Limited ("SOL")	–	1,849,521 (Note 2)	4,463,835,751 (Note 3)	4,465,685,272	55.39
Ms. Lo	SOL	437,000 (Note 4)	–	4,463,835,751 (Note 3)	4,464,272,751	55.37

Notes:

1. Based on 8,062,216,324 shares of SOL in issue at 31 December 2020.
2. These shares were beneficially owned by Mrs. Lo, the spouse of Mr. Lo. Under the SFO, Mr. Lo was deemed to be interested in such shares and both Mr. Lo and Mrs. Lo were also deemed to be interested in 4,463,835,751 shares mentioned in Note 3 below.
3. These shares were held by SOCL through its controlled corporations, comprising 2,674,990,325 shares, 1,725,493,996 shares, 33,503,493 shares and 29,847,937 shares held by Shui On Investment Company Limited ("SOI"), Shui On Properties Limited ("SOP"), Chester International Cayman Limited ("Chester International") and New Rainbow Investments Limited ("NRI") respectively, whereas SOI, SOP and Chester International were all wholly-owned subsidiaries of SOCL. NRI was a wholly-owned subsidiary of the Company which in turn was held by SOCL and its wholly-owned subsidiary, SOFCL, as to 62.60%. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and both Mr. Lo and Ms. Lo were discretionary beneficiaries and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.
4. These represent the interests in the underlying shares of SOL under the outstanding share options granted by SOL.

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

Name of Director	Name of associated corporation	Nature of interests	Amount of debentures
Mr. Lo	Shui On Development (Holding) Limited ("SODH")	Trust interests (Note 1)	RMB72,720,000
		Trust interests (Note 1)	US$17,800,000
		Trust interests (Note 1)	US$1,500,000
		Family interests (Note 2)	RMB35,500,000
		Family interests (Note 2)	US$2,000,000
Ms. Lo	SODH	Trust interests (Note 1)	RMB72,720,000
		Trust interests (Note 1)	US$17,800,000
		Trust interests (Note 1)	US$1,500,000

Notes:

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

Save as disclosed above, at 31 December 2020, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

At 31 December 2020, the interests of substantial shareholders (not being a Director of the Company) and other persons in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of shares	Approximate percentage of issued shares (Note 1)
Mrs. Lo	Family and personal interests	234,693,000 (Notes 2 & 5)	62.68
SOCL	Beneficial owner and interest of controlled corporation	234,381,000 (Notes 3 & 5)	62.60
HSBC Trustee	Trustee	234,381,000 (Notes 3 & 5)	62.60
Bosrich	Trustee	234,381,000 (Notes 3 & 5)	62.60
Mr. Sun Yinhuan ("Mr. Sun")	Founder of a discretionary trust	19,185,950 (Notes 4 & 5)	5.12
Right Ying Holdings Limited ("Right Ying")	Interest of controlled corporation	19,185,950 (Notes 4 & 5)	5.12
TMF (Cayman) Ltd. ("TMF")	Trustee	19,185,950 (Notes 4 & 5)	5.12

Notes:

1. Based on 374,396,164 shares of the Company in issue at 31 December 2020.
2. These shares comprised 312,000 shares beneficially owned by Mrs. Lo and 234,381,000 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under the SFO as mentioned in Note 3 below.
3. These shares comprised 232,148,000 shares beneficially owned by SOCL and 2,233,000 shares held by SOFCL, an indirect wholly-owned subsidiary of SOCL. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and both Mr. Lo and Ms. Lo were discretionary beneficiaries and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.
4. These shares were held by Everhigh Investments Limited, an indirect wholly-owned subsidiary of Right Ying. Right Ying was held under a discretionary trust, of which Mr. Sun was the founder and TMF was the trustee.
5. All the interests stated above represent long positions.

Save as disclosed above, at 31 December 2020, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register which is required to be kept under section 336 of the SFO.

SHARE OPTIONS

The Company adopted a share option scheme on 22 August 2012 (the "Existing Scheme"), which has a life of 10 years until 21 August 2022, to replace the share option scheme adopted on 27 August 2002 (the "Old Scheme") that had expired on 30 August 2012. Since then, no further option can be granted under the Old Scheme, but all options granted previously remain exercisable in accordance with the terms of the Old Scheme and the relevant letters of offers to the respective grantees. Particulars of the Old Scheme and the Existing Scheme are set out in note 32 to the consolidated financial statements.

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

Category of eligible participants	Date of grant	Subscription price per share HK$	Number of shares subject to options						Period during which the options are exercisable (Note)
			At 1.1.2020	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31.12.2020	
Employees	28.7.2011	10.00	1,442,000	–	–	–	–	1,442,000	1.5.2015 to 27.7.2021

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

All the outstanding share options granted under the Existing Scheme had lapsed in 2018, and no further share option was granted under the Existing Scheme.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance through its continuous effort in improving its corporate governance practices. Details about the corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this Annual Report.

CONNECTED TRANSACTION

During the year, a subsidiary of the Company entered into the following transaction which constituted a non-exempt connected transaction of the Company and is required to be disclosed herein under Chapter 14A of the Listing Rules.

Non-exercise of call options in relation to share interests in Great Giant Investment Limited ("Great Giant") and Lucky Lead Limited ("Lucky Lead")

On 3 July 2020, Cosy Rich Limited ("Cosy Rich", an indirect wholly-owned subsidiary of the Company) received a notice from each of Main Surplus Limited ("Main Surplus") and Talent Act Limited ("Talent Act") on their exercise of the put options (the "10% Put Options") requiring Cosy Rich to acquire their respective 10% share interests in Great Giant and Lucky Lead (which collectively through their subsidiaries hold the Tianjin Veneto project (the "Tianjin Project") located at the Wuqing District of Tianjin, the People's Republic of China (the "PRC")), at the subsequently determined option prices of approximately RMB11.91 million and RMB23.92 million respectively, pursuant to the terms of the master agreements both dated 12 December 2011 entered into with Main Surplus and Talent Act (the "Master Agreements"). In view of the exercise of the 10% Put Options by Main Surplus and Talent Act, there was no need for Cosy Rich to exercise the call options (the "10% Call Options") granted by Main Surplus and Talent Act under the Master Agreements in respect of the same shares subject to the 10% Put Options. In addition, on 6 July 2020, Cosy Rich exercised its options (the "90% Options") to acquire the 90% shares held by Main Surplus and Talent Act in Great Giant and Lucky Lead with no further payment pursuant to the terms of the Master Agreements to formalise the Group's holding of the Tianjin Project, instead of merely holding the right to acquire such shares. The acquisition of all the shares of Great Giant and Lucky Lead by Cosy Rich due to exercise of the 10% Put Options and the 90% Options was completed on 21 August 2020.

As the Group controls the majority of the board of directors of each of Great Giant and Lucky Lead after entering into the Master Agreements, both companies are accounted for as subsidiaries in the consolidated financial statements of the Group and accordingly they are regarded as subsidiaries of the Company for the purpose of the Listing Rules. Since Main Surplus and Talent Act, both being the grantors of the 10% Call Options and the

90% Options, then held the entire issued share capital of Great Giant and Lucky Lead respectively, they were also regarded as substantial shareholders of Great Giant and Lucky Lead and hence connected persons of the Company at the subsidiary level. As such, the non-exercise of the 10% Call Options by Cosy Rich constituted a connected transaction of the Company, details of which were set out in the announcements dated 6 July 2020 and 21 August 2020 issued by the Company.

CONTINUING CONNECTED TRANSACTION

Set out below is the transaction entered into by a subsidiary of the Company which constitutes a continuing connected transaction of the Company and is required to be disclosed herein under Chapter 14A of the Listing Rules.

Provision of property management services to Shui On Centre Property Management Limited ("SOCPM")

Pursuant to the property management services agreement dated 16 March 2019 (the "Property Management Agreement") entered into between Shui On Properties Management Limited ("SOPM", then an indirect wholly-owned subsidiary of SOCL, which principally engages in the provision of property management services in Hong Kong) and SOCPM (an indirect wholly-owned subsidiary of SOCL), SOPM continues to provide services in relation to the management and maintenance of Shui On Centre, a commercial building located at 6-8 Harbour Road, Hong Kong, to SOCPM (the "SOC Property Management Services") after it has become an indirect wholly-owned subsidiary of the Company on 30 April 2019 (being the date of completion of the Group's acquisition of the property management business from a subsidiary of SOCL) during the term of the Property Management Agreement, which will end on 31 December 2021 or until the termination of the engagement in accordance with the agreement terms (whichever is earlier). The annual remuneration of SOPM is equivalent to the aggregate sum of (i) 12% of the budgeted expenses for the management of Shui On Centre (the "Management Expenses") calculated in accordance with the provisions set out in the deed of mutual covenant and management agreement in respect of Shui On Centre dated 17 February 1994 (the "DMC") for the relevant financial year; and (ii) 12% of any additional sum demanded by SOCPM, as the management company under the DMC, in accordance with the provisions of the DMC to cover any insufficiency in the Management Expenses. The remuneration paid or payable by SOCPM to SOPM under the Property Management Agreement for the period from 30 April 2019 to 31 December 2019 and for the years ended/ending 31 December 2020 and 31 December 2021 should not exceed the caps of HK$4.80 million, HK$7.10 million and HK$7.50 million respectively.

As SOCPM is a subsidiary of SOCL and an associate of Mr. Lo and Ms. Lo, it is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the continual provision of the SOC Property Management Services by SOPM to SOCPM constitutes a continuing connected transaction of the Company, details of which were set out in the announcement dated 18 April 2019 issued by the Company.

The remuneration of SOPM for the provision of the SOC Property Management Services for the year ended 31 December 2020 was approximately HK$6.89 million. In accordance with Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed such transaction for the year ended 31 December 2020 and confirmed that such transaction has been entered into by SOPM in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the Property Management Agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the above continuing connected transaction in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the transaction disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, the following Directors are considered to have interests in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules:

(1) Mr. Lo is a director and the controlling shareholder of SOCL which, through its subsidiaries, including (among others) SOL, principally engages in property development and investment projects in the PRC.

(2) Mr. Lo is a director of Great Eagle Holdings Limited which, through its subsidiaries, engages in (among others) property development and investment, provision of property management and maintenance services, and trading of building materials in the PRC.

(3) Ms. Lo is a director of SOCL which, through its subsidiaries, including (among others) SOL, principally engages in property development and investment projects in the PRC.

As the Board of Directors of the Company is independent from the boards of directors of the aforesaid companies and the above Directors are unable to control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's businesses, to which the Company or any of its subsidiaries was a party, and in which a Director of the Company (or an entity connected with him/her) had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

Save for service contracts, no contract by which a person undertakes the management and administration of the whole or any substantial part of the Company's business was entered into or subsisted during the year.

EQUITY-LINKED AGREEMENTS

Other than the share option schemes adopted by the Company as mentioned under the section headed "Share Options" above, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

ISSUANCE OF SENIOR NOTES

On 23 January 2020, the Company issued the US$180 million 6.25% senior notes due 2022 (the "2022 Notes") to refinance the Group's indebtedness with near term maturities and/or for general corporate purposes. The net proceeds of the 2022 Notes, after deduction of fees, commissions and expenses, amounted to approximately US$177 million. The 2022 Notes are listed on the Stock Exchange. Further details about the 2022 Notes were set out in the announcements of the Company dated 20 January 2020 and 23 January 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

During the year, the Company repurchased on the Stock Exchange a total of US$16.60 million principal amount of the 2022 Notes for an aggregate consideration of approximately US$16.15 million. The repurchased notes were not cancelled by the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

Financial assistance and guarantees provided by the Group in favour of New Pi (Hong Kong) Investment Co., Ltd. ("New Pi") and certain of its subsidiaries were HK$1,879 million at 31 December 2020, which comprised:

	HK$ million
Receivables	505
Guarantees	1,374
	1,879

The receivables are unsecured, repayable on demand and out of the total outstanding balance, an amount of HK$143 million carries interest at prevailing market rates. The above balances are in relation to the disposal of a former subsidiary group in prior years to New Pi. Further details of the receivables and guarantees are set out in notes 20(d) and 35(a) to the consolidated financial statements.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 23 January 2020, a written agreement (the "Indenture") was entered into between the Company as issuer and Citicorp International Limited as trustee, pursuant to which the 2022 Notes were issued. The Indenture provides that, upon the occurrence of a change of control (as defined in the Indenture), the Company will make an offer to repurchase all the outstanding 2022 Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Please refer to the announcement of the Company dated 20 January 2020 for the related details.

Any breach of the above obligation will cause a default in respect of the 2022 Notes and may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately HK$2,736 million at 31 December 2020.

RETIREMENT BENEFIT PLANS

Details of the Group's retirement benefit plans are shown in note 28 to the consolidated financial statements.

MAJOR SUPPLIERS AND MAJOR CUSTOMERS

The five largest suppliers of the Group accounted for less than 20% of the total purchases of the Group for the year.

The five largest customers of the Group accounted for approximately 65% of the total turnover of the Group for the year with the largest customer, the Architectural Services Department of The Government of the Hong Kong Special Administrative Region, accounting for approximately 30% of the turnover of the Group.

None of the Directors, their close associates or any shareholder (which, to the knowledge of the Directors, owns more than 5% of the number of issued shares of the Company) has a beneficial interest in the five largest suppliers or customers of the Group.

DONATIONS

During the year, the Group made donations of approximately HK$1.5 million to business associations and institutions as well as charity communities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this report, the Company maintains a sufficient public float as required under the Listing Rules.

AUDITOR

Deloitte Touche Tohmatsu will retire and, being eligible, offer itself for re-appointment at the 2021 AGM. A resolution will be proposed at the 2021 AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Lo Hong Sui, Vincent
Chairman

Hong Kong, 26 March 2021

Deloitte. 德勤

To the Members of
SOCAM Development Limited
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of SOCAM Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 105 to 187, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgements associated with determining their fair value.	Our procedures in relation to the valuation of investment properties included: • Obtaining an understanding of the management's process for reviewing and evaluating the work of the Valuers;

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties (Continued)	
As disclosed in note 14 to the consolidated financial statements, the investment properties are situated in Mainland China and carried at a total value of HK$4,720 million as at 31 December 2020, which represented 48% of the Group's total assets. The amount of fair value changes of HK$153 million relating to these investment properties was recognised in the consolidated statement of profit or loss for the year then ended. All of the Group's investment properties are stated at fair value based on the valuations carried out by independent qualified professional valuers (the "Valuers"). Details of the valuation technique and key inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The valuations of investment properties are dependent on certain key inputs, including capitalisation rate, market rent and market price.	• Evaluating the competence, capabilities and objectivity of the Valuers and obtaining an understanding of their scope of work and their terms of engagement; and • Evaluating the reasonableness of valuation techniques and key inputs, including capitalisation rate, market rent and market price, adopted by the management of the Group and the Valuers by comparing these estimates to comparables of similar properties in Mainland China.
Estimation of expected credit losses ("ECL") of receivables due from a former subsidiary group and the accounting impact of the related financial guarantee	
We identified the estimation of ECL in respect of receivables of HK$505 million due from China Central Properties Limited's former subsidiary group (the "Debtor") and the accounting impact of the related financial guarantee in respect of a loan granted to the Debtor as a key audit matter due to the significant judgements involved in estimating the timing and future cash flows expected to be derived from the receivables and the likelihood of the outflow of resources resulting from the financial guarantee. As disclosed in notes 20(d) and 35(a) to the consolidated financial statements, the Group has outstanding receivables of HK$505 million due from the Debtor and remained as a guarantor for a loan granted to the Debtor of HK$644 million plus related interest amounting to HK$730 million at 31 December 2020. Courts in the People's Republic of China have issued notices to attach the property interests held by the Debtor to cause the Debtor to settle part of the onshore outstanding receivables. The management expects that the receivables of HK$505 million will be fully settled and the financial guarantee of HK$644 million plus related interest amounting to HK$730 million will be fully released either through public auction of the property interest (the "Auction") or the sale of the equity interest of the entity holding the property interest (the "Sale of Equity Interest"), and therefore no loss allowance for ECL is recognised. In addition, the financial guarantee in respect of the outstanding principal amount of the loan and the related interest will be fully released upon completion of the Auction or the Sale of Equity Interest.	Our procedures in relation to estimated provision of ECL of the receivables due from the Debtor and the accounting impact of the related financial guarantee included: • Obtaining an understanding of the management's process of reviewing the estimated provision of ECL of the receivables and the accounting impact of the related financial guarantee; • Enquiring with management and lawyers to understand the progress of the Auction and the Sale of Equity Interest and how the management performed the assessment on the estimated provision of ECL of the receivables and the related financial guarantee; • Inspecting the relevant agreements which the Group entered into, court judgements and notices issued up to the date of our report, and the legal opinion issued by an external lawyer to assess the appropriateness of the management's basis in evaluating the latest progress of the legal cases; and • Assessing the appropriateness of the valuation of the underlying property interest held by the Debtor performed by an independent professional valuer with reference to comparable properties and market transactions as available in the market to evaluate the reasonableness of these judgments.

Key audit matter	How our audit addressed the key audit matter
Recognition of contract revenue and contract assets for construction contracts	
We identified construction contract revenue and contract assets as a key audit matter as they are quantitatively significant to the consolidated financial statements as a whole and there are significant judgments exercised by the management of the Group in determining the progress towards complete satisfaction of the performance obligation and the amount of contract revenue recognised. As disclosed in notes 6 and 22 to the consolidated financial statements, the construction contracts revenue and contract assets amounted to HK$5,042 million and HK$665 million respectively for the year ended 31 December 2020. As set out in note 4 to the consolidated financial statements, the Group recognised contract revenue by reference to the progress of satisfying the performance obligation at the reporting date.	Our procedures in relation to the contract revenue and contract assets for construction contracts included: • Testing the Group's internal controls over the recognition of contract revenue; • Discussing with project managers, internal quantity surveying managers and the management of the Group and checking on a sample basis, the supporting documents such as contracts and variation orders to evaluate the reasonableness of the revenue recognised; • Checking the revenue to underlying construction contracts entered into with the customers and other relevant correspondences and supporting documents in respect of variations in construction works or price adjustments; and • Assessing the revenue from construction contracts by comparing, on a sample basis, with the latest certificates issued by the independent quantity surveyors before and after year end.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lee Po Chi.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 HK$ million	2019 HK$ million
Turnover			
The Company and its subsidiaries		**5,670**	5,545
Share of joint ventures		**9**	22
		5,679	5,567
Group turnover	6	**5,670**	5,545
Other income, other gains and losses	7	**244**	51
Cost of properties sold		**(265)**	(703)
Raw materials and consumables used		**(284)**	(271)
Staff costs		**(764)**	(690)
Depreciation and amortisation		**(39)**	(30)
Subcontracting, external labour costs and other expenses		**(3,951)**	(3,524)
Fair value changes on investment properties	14	**(153)**	44
Dividend income from equity investments		**3**	4
Finance costs	8	**(198)**	(229)
Gain on disposal of partial interest in a joint venture		**–**	62
Share of profit (loss) of joint ventures	6	**7**	(3)
Profit before taxation		**270**	256
Taxation	9	**(131)**	(177)
Profit for the year		**139**	79
Attributable to:			
Owners of the Company		**52**	7
Non-controlling interests		**87**	72
		139	79
Earnings per share	12		
Basic		**HK$0.14**	HK$0.02
Diluted		**HK$0.14**	HK$0.02

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 HK$ million	2019 HK$ million
Profit for the year	**139**	79
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	**244**	(88)
Reclassification adjustments for exchange differences transferred to profit or loss:		
– upon disposal of partial interest in a joint venture	**–**	6
Item that will not be reclassified to profit or loss:		
Fair value changes of equity investments at fair value through other comprehensive income	**(19)**	(1)
Recognition of actuarial gain	**50**	15
Other comprehensive income (expense) for the year	**275**	(68)
Total comprehensive income for the year	**414**	11
Total comprehensive income (expenses) attributable to:		
Owners of the Company	**327**	(61)
Non-controlling interests	**87**	72
	414	11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK$ million	2019 HK$ million
Non-current Assets			
Investment properties	14	**4,720**	4,583
Goodwill		**9**	7
Other intangible assets		**3**	6
Right-of-use assets		**29**	15
Property, plant and equipment	15	**39**	32
Interests in joint ventures	16	**111**	101
Financial assets at fair value through other comprehensive income	17	**32**	51
Club memberships		**1**	1
Trade debtors	20	**7**	–
		4,951	4,796
Current Assets			
Properties held for sale	19	**807**	393
Properties under development for sale	19	**180**	687
Debtors, deposits and prepayments	20	**1,562**	1,264
Contract assets	22	**665**	668
Amounts due from joint ventures	18	**75**	74
Amounts due from related companies	23	**12**	43
Tax recoverable		**15**	–
Restricted bank deposits	21	**382**	109
Bank balances, deposits and cash	20	**1,101**	1,354
		4,799	4,592
Assets classified as held for sale		**–**	48
		4,799	4,640
Current Liabilities			
Creditors and accrued charges	24	**2,573**	2,414
Contract liabilities	22	**41**	324
Lease liabilities		**22**	10
Amounts due to joint ventures	18	**137**	123
Amounts due to related companies	23	**28**	51
Amounts due to non-controlling shareholders of subsidiaries	23	**–**	3
Other financial liabilities		**–**	27
Taxation payable		**180**	142
Bank borrowings due within one year	25	**1,037**	1,019
Senior notes	26	**–**	1,344
		4,018	5,457
Net Current Assets (Liabilities)		**781**	(817)
Total Assets Less Current Liabilities		**5,732**	3,979

	Notes	2020 HK$ million	2019 HK$ million
Capital and Reserves			
Share capital	27	**374**	374
Reserves		**2,758**	2,431
Equity attributable to owners of the Company		**3,132**	2,805
Non-controlling interests		**219**	177
		3,351	2,982
Non-current Liabilities			
Bank borrowings	25	**778**	620
Senior notes	26	**1,258**	–
Lease liabilities		**8**	6
Defined benefit liabilities	28	**16**	58
Deferred tax liabilities	29	**321**	313
		2,381	997
		5,732	3,979

The consolidated financial statements on pages 105 to 187 were approved and authorised for issue by the Board of Directors on 26 March 2021 and are signed on its behalf by:

Lo Hong Sui, Vincent
Chairman

Lee Chun Kong, Freddy
Executive Director and Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company												
	Share capital HK$ million	Share premium account HK$ million	Translation reserve HK$ million	Contributed surplus (Note a) HK$ million	Goodwill HK$ million	Accumulated losses HK$ million	Share option reserve HK$ million	Actuarial gain and loss HK$ million	Investment revaluation reserve HK$ million	Other reserve (Note b) HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total Equity HK$ million
At 1 January 2019	384	2,995	185	197	(3)	(1,129)	5	(31)	2	284	2,889	127	3,016
Fair value changes of equity investments at fair value through other comprehensive income	–	–	–	–	–	–	–	–	(1)	–	(1)	–	(1)
Exchange differences arising on translation of financial statements of foreign operations	–	–	(88)	–	–	–	–	–	–	–	(88)	–	(88)
Recognition of actuarial gain	–	–	–	–	–	–	–	15	–	–	15	–	15
Disposal of interest in a joint venture	–	–	6	–	–	–	–	–	–	–	6	–	6
Profit for the year	–	–	–	–	–	7	–	–	–	–	7	72	79
Total comprehensive (expense) income for the year	–	–	(82)	–	–	7	–	15	(1)	–	(61)	72	11
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	2	2
Buy-back of shares	(10)	(13)	–	–	–	–	–	–	–	–	(23)	–	(23)
Dividends payable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(24)	(24)
At 31 December 2019	374	2,982	103	197	(3)	(1,122)	5	(16)	1	284	2,805	177	2,982
Fair value changes of equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(19)**	**–**	**(19)**	**–**	**(19)**
Exchange differences arising on translation of financial statements of foreign operations	**–**	**–**	**244**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**244**	**–**	**244**
Recognition of actuarial gain	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**50**	**–**	**–**	**50**	**–**	**50**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**52**	**–**	**–**	**–**	**–**	**52**	**87**	**139**
Total comprehensive income (expense) for the year	**–**	**–**	**244**	**–**	**–**	**52**	**–**	**50**	**(19)**	**–**	**327**	**87**	**414**
Dividends payable to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(45)**	**(45)**
At 31 December 2020	**374**	**2,982**	**347**	**197**	**(3)**	**(1,070)**	**5**	**34**	**(18)**	**284**	**3,132**	**219**	**3,351**

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1997.

(b) Other reserve of the Group mainly include (i) an amount of HK$231 million (2019: HK$231 million) recognised in prior years, which arose when the Group entered into agreements with Shui On Company Limited ("SOCL"), the Company's ultimate holding company, to co-invest in Shui On Land Limited during the year ended 31 March 2005; (ii) an amount of HK$16 million (2019: HK$16 million), which represents the Group's share of revaluation reserve of a then associate, China Central Properties Limited ("CCP"), arising from an acquisition achieved in stages by CCP during the year ended 31 December 2009, net of the amount released as a result of subsequent disposal of property inventories; and (iii) an amount of HK$22 million (2019: HK$22 million), which represents the revaluation surplus of the Group's 42.88% previously held interest in CCP, recognised upon the acquisition of the remaining 57.12% interest in CCP during the year ended 31 December 2009, net of the amount released as a result of subsequent disposal of property inventories.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK$ million	2019 HK$ million
Operating Activities		
Profit before taxation	**270**	256
Adjustments for:		
Gain on disposal of partial interest in a joint venture	**–**	(62)
Impairment loss recognised on property inventories	**15**	–
Expected credit losses recognised on trade debtors and contract assets	**2**	–
Share of (profit) loss of joint ventures	**(7)**	3
Interest income	**(30)**	(55)
Finance costs	**198**	229
Dividend income from equity investments	**(3)**	(4)
Fair value changes on investment properties	**153**	(44)
Loss on disposal of an investment property through disposal of a subsidiary	**–**	6
Loss arising on remeasurement of other financial liabilities	**13**	–
Depreciation of property, plant and equipment	**14**	12
Depreciation of right-of-use assets	**22**	16
Amortisation of other intangible assets	**3**	2
Discount on buy-back of senior notes	**(3)**	–
Gain on disposal of property, plant and equipment	**(1)**	–
Expense recognised in respect to defined benefit scheme	**13**	13
Operating cash flows before movements in working capital	**659**	372
Decrease in properties held for sale	**433**	699
Increase in properties under development for sale	**(326)**	(274)
Increase in debtors, deposits and prepayments	**(293)**	(22)
Decrease (increase) in contract assets	**2**	(18)
Decrease (increase) in amounts due from related companies	**31**	(26)
Decrease in amounts due from joint ventures	**3**	2
Increase (decrease) in creditors and accrued charges	**83**	(187)
Decrease in contract liabilities	**(303)**	(80)
(Decrease) increase in amounts due to joint ventures	**(3)**	8
(Decrease) increase in amounts due to related companies	**(1)**	8
Decrease in amounts due to non-controlling shareholders	**(3)**	–
Contribution to defined benefit scheme	**(5)**	(6)
Cash from operations	**277**	476
Hong Kong Profits Tax paid	**(110)**	(5)
Income taxes of other regions in the People's Republic of China ("PRC") paid	**(19)**	(134)
Net cash from operating activities	**148**	337

	2020 HK$ million	2019 HK$ million
Investing Activities		
Advance from (to) joint ventures	**6**	(4)
Repayment from joint ventures	**1**	23
Additions in property, plant and equipment	**(22)**	(8)
Payment for construction of investment properties	**(12)**	(11)
Acquisition of subsidiaries	**–**	(26)
Interest received	**26**	48
Proceeds from disposal of property, plant and equipment	**2**	–
Proceeds from disposal of investment properties	**8**	2
Dividends received from equity investments	**3**	4
Net proceeds from disposal of partial interest in a joint venture	**–**	144
Net proceeds from disposal of an investment property through disposal of a subsidiary	**–**	382
Net proceeds from disposal of interest in an associate in previous year	**4**	347
Restricted bank deposits placed	**(372)**	(7)
Restricted bank deposits refunded	**101**	79
Net cash (used in) from investing activities	**(255)**	973
Financing Activities		
Drawdown of bank borrowings	**1,366**	727
Repayment of bank borrowings	**(1,211)**	(930)
Issue of senior notes	**1,399**	–
Expenditure incurred on issue of senior notes	**(19)**	–
Repayment of senior notes	**(1,343)**	–
Payment for buy-back of senior notes	**(125)**	(685)
Payment for buy-back of shares	**–**	(23)
Loan from a related company	**–**	300
Repayment to related companies	**–**	(315)
Payment of lease liabilities	**(23)**	(16)
Payment for partial acquisition of interest in a subsidiary	**(40)**	–
Interest paid	**(150)**	(210)
Other borrowing costs paid	**(6)**	(6)
Dividends paid to non-controlling shareholders of subsidiaries	**(45)**	(24)
Net cash used in financing activities	**(197)**	(1,182)
Net (decrease) increase in cash and cash equivalents	**(304)**	128
Cash and cash equivalents at the beginning of the year	**1,354**	1,237
Effect of foreign exchange rate changes	**51**	(11)
Cash and cash equivalents at the end of the year	**1,101**	1,354
Analysis of the balances of cash and cash equivalents		
Bank balances, deposits and cash	**1,101**	1,354

1. General Information and Basis of Presentation

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's parent and ultimate holding company is Shui On Company Limited ("SOCL"), a private limited company incorporated in the British Virgin Islands and its ultimate controlling party is Mr. Lo Hong Sui, Vincent, who is also the Chairman and Executive Director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information in the annual report.

The principal activity of the Company is investment holding. Its subsidiaries and joint ventures are principally engaged in property development and investment, construction and contracting, renovation and fitting out, and investment holding.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

Impact of COVID-19 pandemic

The outbreak of the novel coronavirus (COVID-19) and the subsequent quarantine measures have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. Although the Central Government has announced certain financial measures and supports for corporates to overcome the negative impact arising from the pandemic, the financial positions and performance of the Group were affected in different aspects, including decline in revenues from property sales and property leasing due to the Group having provided rent concessions to the tenants, and delay in the sale and handover of the Group's property inventories following the disruption of normal business during the COVID-19 outbreak.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), for the first time, which are mandatorily effective for the Group's financial period beginning on 1 January 2020.

HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
HKAS 1 and HKAS 8 (Amendments)	Definition of Material

In addition, the Group has early applied Amendments to HKFRS 16 *COVID-19-Related Rent Concessions*, which will be mandatorily effective for the annual periods beginning on or after 1 June 2020.

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year has had no material effect on the amounts reported and disclosures set out in the consolidated financial statements of the Group for the current or prior accounting periods.

3. Potential Impact Arising on the New and Amendments to Accounting Standards Not Yet Effective

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

HKFRS 17	Insurance Contracts and Related Amendments[3]
HKFRS 3 (Amendments)	Reference to the Conceptual Framework[2]
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use[2]
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2022[2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 Effective for annual periods beginning on or after a date to be determined

The Directors of the Company do not expect a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements of these new and amendments to HKFRSs.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRS issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Cap 622).

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values at the end of each reporting periods, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

For financial instruments and investment properties (the highest and best use of the properties is the current use) which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

4. Significant Accounting Policies (Continued)

Basis of preparation (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control listed above.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control or until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All inter-company transactions and balances within the Group are eliminated on consolidation.

Changes in the Group's interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity (including reserves and the non-controlling interests' proportionate share of recognised amount of the subsidiary's identifiable net assets) are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity impairment, and the fair value of the consideration paid or received is recognised directly in other reserve and attributed to owners of the Company.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. Significant Accounting Policies (Continued)

Business combinations

Acquisitions of businesses (including a business under common control) are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date;

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

– lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another HKFRSs.

When a business combination is achieved in stages, the Group's previously held interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

When the Group acquires an asset or a group of assets that does not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price to the individual identifiable assets and liabilities on the basis of their respective fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

4. Significant Accounting Policies (Continued)

Intangible assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is not amortised.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Other intangible assets

Other intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date. Other intangible assets with finite useful lives are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation for other intangible assets with finite useful lives is recognised on a straight-line method over their estimated useful lives.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The profit or loss and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of profit or loss and other comprehensive income of the joint ventures, less any identified impairment loss. Changes in net assets of joint ventures other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses equals or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in joint venture), the Group discontinues recognising its share of further losses except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

4. Significant Accounting Policies (Continued)

Investments in joint ventures (Continued)

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture maybe impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits or losses are eliminated to the extent of the Group's interest in the joint venture.

Investments in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the operators sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation of the Group (such as a sale of assets), profits or losses are recognised only to the extent of other party's interest in the joint operation.

When a group entity transacts with a joint operation of the Group (such as a purchase of assets), the Group does not recognise its share of the profits or losses until it resells those assets to a third party.

4. Significant Accounting Policies (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a promise in a contract with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

4. Significant Accounting Policies (Continued)

Revenue from contracts with customers (Continued)

For contracts where the period between payment and transfer of the associated goods and services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Details of the Group's performance obligation in contracts with customers are as follows:

Sales of properties

Revenue from properties sales is recognised at a point in time when the completed property is delivered and transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives 10%-100% of the contract value as deposits from customers or receipts in advance from customers when they sign the sale and purchase agreement.

Deposits received on properties sold prior to the date of revenue recognition are recorded as contract liabilities under current liabilities.

Construction contracts

Revenue from construction contracts is recognised over time when the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised based on the stage of completion of the contract using output method.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached.

A contract asset is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade debtors when the rights become unconditional.

Rendering of services

Revenue from the rendering of services is recognised over the scheduled period on the straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model and stated at fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment properties are included as profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year in which the item is derecognised.

4. Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, if any, using the straight-line method. Both the useful life of an asset and its residual value and depreciation method, if any, are reviewed annually.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the year in which the item is derecognised.

Club memberships

On initial recognition, club memberships are stated at cost. After initial recognition, club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Club memberships are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Properties held for sale

Properties held for sale are classified as current assets and carried at the lower of cost and net realisable value except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets. Costs relating to the development of properties, comprising costs of lands, development costs and capitalised borrowing costs and other direct costs attributable to such properties, are included in properties held for development for sale until such time when they are completed. Net realisable value represents the estimated selling price less all anticipated costs to be incurred in marketing and selling.

Properties under development for sale

Properties under development for sale which are intended to be sold upon completion of development are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties under development for sale are carried at the lower of cost and net realisable value. Cost includes costs of land, development expenditure incurred, borrowing costs and other direct costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to such properties. These assets are recorded as current assets as they are expected to be realised in, or are intended for sale within the Group's normal operating cycle. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing and selling. Upon completion, the assets are recorded as properties held for sale.

4. Significant Accounting Policies (Continued)

Government subsidies

Government subsidies are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the subsidies will be received.

Government subsidies are recognised as other income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the subsidies are intended to compensate.

Government subsidies that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. They are presented as "other income" in the consolidated statement of profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

Impairment of tangible and intangible assets (other than club memberships with indefinite useful life and goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amounts of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount (i.e. the higher of fair value less costs of disposal and value in use) of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating units, the Group compares the carrying amount of a group of cash-generating units, including the carrying amount of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash generating units. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

4. Significant Accounting Policies (Continued)

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit or loss before tax because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 "Income Taxes". Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. Significant Accounting Policies (Continued)

Taxation (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into on or after the date of initial application or modified or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Contingent rentals arising from operating leases are recognised as income in the period in which they are earned.

The Group as lessee

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

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

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

4. Significant Accounting Policies (Continued)

Leases (Continued)

The Group as lessee (Continued)

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

Right-of-use assets

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

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

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

Refundable rental deposits paid are accounted for under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

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

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. Significant Accounting Policies (Continued)

Leases (Continued)

The Group as lessee (Continued)

COVID-19-Related Rent Concessions

For rental concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised as profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included as profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in translation reserve. Such exchange differences are reclassified to profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

4. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on acquisitions of foreign operations prior to 1 January 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme, which are defined contribution schemes, are recognised as an expense when employees have rendered service entitling them to the contributions.

For the defined benefit retirement scheme, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in accumulated losses and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item of staff costs. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

4. Significant Accounting Policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade debtors arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTOCI

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

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "dividend income from equity investments" line item in profit or loss.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade debtors, other receivables, amounts due from joint ventures and related companies, contract assets, restricted bank deposits, bank balances and deposits). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade debtors and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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

A financial asset is credit-impaired when one or more events of default that have a detrimental impact the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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

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

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

On derecognition of an investment in financial assets classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Buy-back of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through profit or loss.

Borrowings

Bank borrowings are subsequently measured at amortised cost, using the effective interest method.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Senior notes

Senior notes are subsequently measured at amortised cost, using the effective interest method. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

Other financial liabilities at amortised cost

Other financial liabilities (including creditors, lease liabilities, amounts due to joint ventures, related companies and non-controlling shareholders of subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contract liabilities are initially at their fair values. Subsequent to initial recognition, the Group measures the financial guarantee contract liabilities at the higher of: (i) the amount of loss allowance determined in accordance with HKFRS 9; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date without taking into consideration of all non-market vesting condition is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, for share options, which are conditional upon satisfying specified non-market performance vesting conditions, the Group revises its estimates of the number of options that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to accumulated losses.

4. Significant Accounting Policies (Continued)

Share-based payment transactions (Continued)

Share options granted to employees (Continued)

The Group accounts for the cancellation of share options as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. In estimating the amount to be recognised in the event of cancellation, the Group takes into account the Group's estimate of the number of options that would have vested had the cancellation not occurred.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key judgements, estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation, which involves certain estimates of market conditions. As disclosed in note 14, the investment properties carried at a total value of HK$4,720 million (2019: HK$4,583 million). In relying on the valuation report, the Directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

Estimation of expected credit losses of receivables due from a former subsidiary and the accounting impact of the related financial guarantee

As disclosed in notes 20(d) and 35(a), CCP disposed of a former subsidiary group (the "Debtor") in prior years. With respect to the disposal, the Group had outstanding receivables of HK$505 million at 31 December 2020 and remained as a guarantor for a loan granted to the Debtor at a principal amount of HK$644 million plus related interest. The receivables of HK$505 million (2019: HK$482 million) are expected to be settled either through public auction of the property interest (the "Auction") or the sale of the equity interest of the entity holding the property interest (the "Sale of Equity Interest"). In addition, the financial guarantee in respect of the outstanding principal amount of the loan amounting to HK$644 million (2019: HK$605 million) and the related interest amounting to HK$730 million (2019: HK$611 million) will be fully released upon completion of the Auction or the Sale of Equity Interest. With certain positive events as mentioned in note 20(d) and the fact that the Company has put in place a dedicated team, with focused efforts and through various commercial and judicial channels, management expects that the issues will be resolved. With the devoted effort of the dedicated team and advices from lawyers, management expects that the Auction will be materialised, and that the receivables will be recovered and the guarantee will be released soon after the Auction. Therefore, no loss allowance for ECL is recognised.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Estimation of expected credit losses of receivables due from a former subsidiary and the accounting impact of the related financial guarantee (Continued)

The Group reviews the carrying amounts of the receivables due from the Debtor at the end of the reporting period to determine whether there is any indication that these receivables have suffered an impairment loss. Where the recoverable amounts of the receivables are estimated to be less than their carrying amounts, an impairment loss will be provided for such receivables and recognised in the consolidated statement of profit or loss. In determining the recoverable amount of such receivables and whether provision should be recognised in respect of the related financial guarantee contract, management has exercised judgement in estimating the timing and future cash flows to be recovered and evaluation of the probability of resources outflow that will be required, with reference to the market value of the underlying property interest held by the Debtor assessed by an independent professional valuer based on the comparable properties and market transactions as available in the market, and determined that no impairment or provision was necessary at the end of the reporting period. Management has closely monitored the progress. If the actual outcome and timing regarding the abovementioned public auction and hence the recoverability are different from expectation, an impairment loss may arise.

Deferred tax on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the Directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties in Mainland China of HK$4,720 million at 31 December 2020 (2019: HK$4,583 million) are held to earn rental income and they are considered to be held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on these investment properties at fair value is measured based on the tax consequences of recovering the carrying amounts of the investment properties through use.

6. Turnover and Segment Information

Revenue of the Group represents the contract revenue arising on construction and building maintenance contracts, amounts received and receivable for goods sold by the Group (net of discounts, returns and sales related tax), revenue from sale of properties, fees from asset management and rental and leasing income.

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

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

1. Construction and building maintenance – construction, interior fit-out, renovation and maintenance of building premises mainly in Hong Kong
2. Property – property development for sale and property investment in Mainland China and provision of property management services in Hong Kong and Mainland China
3. Other businesses – venture capital investment and others

6. Turnover and Segment Information (Continued)

(a) Reportable segment revenue and profit or loss

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

For the year ended 31 December 2020

	Construction and building maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Revenue from property sales	–	433	–	433
Construction contract revenue	5,042	–	–	5,042
Revenue from rendering of services in Hong Kong	–	103	–	103
Revenue from rendering of services in Mainland China	–	24	–	24
Revenue from contracts with customers	5,042	560	–	5,602
Revenue from property leasing	–	68	–	68
Group's revenue from external customers	5,042	628	–	5,670
Share of joint ventures' revenue	1	–	8	9
Total segment revenue	5,043	628	8	5,679
Timing of revenue recognition				
– At a point of time	–	433	–	433
– Over time	5,042	127	–	5,169
Revenue from contracts with customers	5,042	560	–	5,602
Reportable segment results	465	10	31	506
Segment results have been arrived at after crediting (charging):				
Depreciation and amortisation	(14)	(11)	–	(25)
Interest income	9	16	–	25
Fair value changes on investment properties	–	(153)	–	(153)
Impairment loss recognised on property inventories	–	(15)	–	(15)
Dividend income from equity investments	–	–	3	3
Finance costs	–	(15)	–	(15)
Share of profit (loss) of joint ventures				
Property development	–	3	–	3
Other operations in Guizhou	–	–	5	5
Venture capital investments	–	–	(1)	(1)
				7

6. Turnover and Segment Information (Continued)

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

For the year ended 31 December 2019

	Construction and building maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Revenue from property sales	–	869	–	869
Construction contract revenue	4,493	–	–	4,493
Revenue from rendering of services in Hong Kong	–	70	–	70
Revenue from rendering of services in Mainland China	–	26	–	26
Revenue from contracts with customers	4,493	965	–	5,458
Revenue from property leasing	–	87	–	87
Group's revenue from external customers	4,493	1,052	–	5,545
Share of joint ventures' revenue	3	–	19	22
Total segment revenue	4,496	1,052	19	5,567
Timing of revenue recognition				
– At a point of time	–	869	–	869
– Over time	4,493	96	–	4,589
Revenue from contracts with customers	4,493	965	–	5,458
Reportable segment results	405	102	20	527
Segment results have been arrived at after crediting (charging):				
Depreciation and amortisation	(10)	(9)	–	(19)
Interest income	12	37	4	53
Fair value changes on investment properties	–	44	–	44
Compensation for closure of a cement plant	–	–	34	34
Gain on disposal of partial interest in a joint venture	–	62	–	62
Dividend income from equity investments	–	–	4	4
Finance costs	–	(20)	–	(20)
Share of (loss) profit of joint ventures				
Property development	–	(3)	–	(3)
Other operations in Guizhou	–	–	7	7
Venture capital investments	–	–	(7)	(7)
				(3)

6. Turnover and Segment Information (Continued)

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

Details of the Group's performance obligation in contracts with customers are described in note 4.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) and the expected timing of recognising revenue are as follows:

At 31 December 2020

	Properties sales HK$ million	**Construction contracts HK$ million**
Within one year	**72**	**4,435**
More than one year but less than two years	**–**	**6,777**
More than two years	**–**	**3,921**
	72	**15,133**

At 31 December 2019

	Properties sales HK$ million	Construction contracts HK$ million
Within one year	447	4,844
More than one year but less than two years	–	5,914
More than two years	–	4,186
	447	14,944

6. Turnover and Segment Information (Continued)

(b) Reportable segment assets and liabilities

An analysis of the Group's reportable segment assets and liabilities by reportable and operating segment is as follows:

At 31 December 2020

	Construction and building maintenance HK$ million	**Property HK$ million**	**Other businesses HK$ million**	**Total HK$ million**
Reportable segment assets	**2,458**	**7,011**	**878**	**10,347**
Reportable segment liabilities	**2,272**	**769**	**437**	**3,478**

At 31 December 2019

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

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

	Year ended 31 December	
	2020 HK$ million	2019 HK$ million
Revenue		
Reportable segment revenue	**5,679**	5,567
Elimination of share of revenue of joint ventures	**(9)**	(22)
Consolidated turnover	**5,670**	5,545

6. Turnover and Segment Information (Continued)

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

	Year ended 31 December	
	2020	2019
	HK$ million	HK$ million
Profit before taxation		
Reportable segment results	**506**	527
Unallocated other income	**5**	2
Unallocated finance costs	**(183)**	(209)
Other unallocated corporate expenses	**(58)**	(64)
Consolidated profit before taxation	**270**	256

	At 31 December	
	2020	2019
	HK$ million	HK$ million
Assets		
Reportable segment assets	**10,347**	10,024
Elimination of inter-segment receivables	**(612)**	(588)
Other unallocated assets	**15**	–
Consolidated total assets	**9,750**	9,436

	At 31 December	
	2020	2019
	HK$ million	HK$ million
Liabilities		
Reportable segment liabilities	**3,478**	3,869
Elimination of inter-segment payables	**(612)**	(588)
Unallocated liabilities		
– Bank borrowings	**1,758**	1,316
– Senior notes	**1,258**	1,344
– Taxation and others	**517**	513
Consolidated total liabilities	**6,399**	6,454

6. Turnover and Segment Information (Continued)

(d) Other segment information

At 31 December 2020

	Construction and building maintenance HK$ million	**Property HK$ million**	**Other businesses HK$ million**	**Total HK$ million**
Interests in joint ventures	**3**	**40**	**68**	**111**
Capital expenditure (excluding assets acquired on acquisition of subsidiaries)	**23**	**15**	**32**	**70**
Tax charges	**69**	**62**	**–**	**131**

At 31 December 2019

	Construction and building maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Interests in joint ventures	4	38	59	101
Capital expenditure (excluding assets acquired on acquisition of subsidiaries)	13	17	–	30
Tax charges	68	100	9	177

(e) Geographical information

The Group's current operations are mainly located in Hong Kong, Macau and Mainland China.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers*		**Non-current assets****	
	2020 HK$ million	2019 HK$ million	**2020 HK$ million**	2019 HK$ million
Hong Kong	**4,890**	4,273	**55**	40
Macau	**255**	294	**2**	3
Mainland China	**525**	978	**4,744**	4,601
	5,670	5,545	**4,801**	4,644

* Revenue from external customers is attributed to countries/cities on the basis of geographical locations of the properties or operations.

** Non-current assets exclude financial assets at fair value through other comprehensive income, interests in joint ventures and trade debtors.

6. Turnover and Segment Information (Continued)

(f) Information about major customers

Included in external revenue arising from construction and building maintenance of HK$5,042 million (2019: HK$4,493 million) is revenue of HK$1,707 million and HK$1,017 million, which arose from services provided to the Group's largest and second largest customers respectively (2019 HK$1,587 million and HK$686 million from the Group's largest and second largest customers respectively) contributing over 10% of the total turnover of the Group.

7. Other Income, Other Gains and Losses

	2020 **HK$ million**	2019 HK$ million
Included in other income, other gains and losses are:		
Other income		
Interest income	**30**	55
Government subsidies (note)	**60**	–
Compensation for closure of a cement plant	**–**	34
Other gains and losses		
Discount on buy-back of senior notes	**3**	–
Exchange gain (loss)	**166**	(48)
Impairment loss recognised on property inventories	**(15)**	–
Loss arising on remeasurement of other financial liabilities	**(13)**	–
Expected credit losses recognised on trade debtors and contract assets	**(2)**	–
Gain on disposal of property, plant and equipment	**1**	–

Note:

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

8. Finance Costs

	2020 **HK$ million**	2019 HK$ million
Interest on bank and other loans	**71**	106
Interest on senior notes	**122**	118
Interest on lease liabilities	**1**	1
Other borrowing costs	**6**	6
Less: amounts capitalised	**(2)**	(2)
	198	229

9. Taxation

	2020 HK$ million	2019 HK$ million
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	**68**	67
Macau Complementary Tax	**1**	2
PRC Enterprise Income Tax	**(10)**	68
PRC Land Appreciation Tax	**83**	57
	142	194
Deferred taxation (note 29)	**(11)**	(17)
	131	177

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

Macau Complementary Tax is calculated at 12.0% (2019: 12.0%) on the estimated assessable profits for the year.

PRC Enterprise Income Tax is calculated at 25% (2019: 25%) on the estimated assessable profits for the year.

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

Details of the deferred taxation are set out in note 29.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2020 HK$ million	2019 HK$ million
Profit before taxation	**270**	256
Tax at Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	**45**	42
Effect of share of (profit) loss of joint ventures	**(1)**	1
Effect of different tax rates on operations in other jurisdictions	**(11)**	24
PRC Land Appreciation Tax	**83**	57
Tax effect of PRC Land Appreciation Tax	**(14)**	(9)
Tax effect of expenses not deductible for tax purposes	**58**	67
Tax effect of income not taxable for tax purposes	**(68)**	(42)
Tax effect of tax losses not recognised	**27**	41
Tax effect of utilisation of tax losses previously not recognised	**–**	(5)
Reversal of deferred tax assets for unused tax losses	**27**	–
Over provision of current taxation in prior year	**(10)**	(1)
Others	**(5)**	2
Tax charge for the year	**131**	177

10. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees

Directors and Chief Executives

The emoluments paid or payable to each of the six (2019: seven) Directors were as follows:

For the year ended 31 December 2020

Name of Director	Notes	Fees	Salaries and other benefits	Bonus*	Retirement benefit scheme contributions	Share-based payments	2020 Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Lo Hong Sui, Vincent		10	–	–	–	–	10
Mr. Lee Chun Kong, Freddy	(a)	10	5,708	1,551	260	–	7,529
Ms. Lo Bo Yue, Stephanie	(b)	315	–	–	–	–	315
Ms. Li Hoi Lun, Helen	(c)	550	–	–	–	–	550
Mr. Chan Kay Cheung	(c)	595	–	–	–	–	595
Mr. William Timothy Addison	(c)	520	–	–	–	–	520
Total		2,000	5,708	1,551	260	–	9,519

For the year ended 31 December 2019

Name of Director	Notes	Fees	Salaries and other benefits	Bonus*	Retirement benefit scheme contributions	Share-based payments	2019 Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Lo Hong Sui, Vincent		10	–	–	–	–	10
Mr. Lee Chun Kong, Freddy	(a)	3	3,657	–	51	–	3,711
Ms. Lo Bo Yue, Stephanie	(b)	299	–	–	–	–	299
Ms. Li Hoi Lun, Helen	(c)	550	–	–	–	–	550
Mr. Chan Kay Cheung	(c)	595	–	–	–	–	595
Mr. William Timothy Addison	(c)	504	–	–	–	–	504
Mr. Wong Yuet Leung, Frankie	(d)	8	22,104	–	–	–	22,112
Total		1,969	25,761	–	51	–	27,781

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

Notes:

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

(b) Non-executive Director.

(c) Independent Non-executive Directors.

(d) Mr. Wong Yuet Leung, Frankie stepped down as an Executive Director, Chief Executive Officer and Chief Financial Officer with effect from 1 October 2019. The amount included HK$14 million gratuity payment upon his retirement on 1 January 2020 in recognition of his efforts and contribution for the years 2018 and 2019 as approved by the Remuneration Committee.

(e) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group, and the independent non-executive directors' emoluments were for their services as directors of the Company.

10. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees (Continued)

Five Highest Paid Employees

Of the five highest paid individuals in the Group, one (2019: one) is Director of the Company whose emoluments are set out above. The emoluments of the remaining four (2019: four) highest paid employees were as follows:

	2020 **HK$ million**	2019 HK$ million
Salaries, bonuses and allowances	**24**	21
Retirement benefits scheme contributions	**–**	1
	24	22

The emoluments were within the following bands:

	2020 **No. of employees**	2019 No. of employees
HK$4,000,001 to HK$4,500,000	**1**	1
HK$5,000,001 to HK$5,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**1**	–
HK$6,000,001 to HK$6,500,000	**1**	2
HK$8,000,001 to HK$8,500,000	**1**	–

11. Profit for the Year

	2020 HK$ million	2019 HK$ million
Profit for the year has been arrived at after charging:		
Cost of sales (note):		
Cost of construction	**4,470**	3,963
Cost of properties sold	**265**	703
Cost of rendering services	**135**	107
Direct rental outgoings arising from investment properties	**23**	35
	4,893	4,808
Staff costs (including directors' emoluments) (note):		
Salaries, bonuses and allowances	**728**	659
Retirement benefits cost	**38**	40
Less: amounts capitalised	**(2)**	(9)
	764	690
Depreciation and amortisation		
Depreciation of property, plant and equipment	**14**	12
Depreciation of right-of-use assets	**22**	16
Amortisation of other intangible assets	**3**	2
	39	30
Auditors' remuneration	**4**	4
Operating lease payments in respect of rented premises	**2**	3

Note:

Cost of sales includes HK$524 million (2019: HK$459 million) relating to staff costs, which is also included in the staff costs separately disclosed above.

12. Earnings Per Share

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

	2020 **HK$ million**	2019 HK$ million
Profit for the year attributable to owners of the Company:		
Profit for the purpose of basic and diluted earnings per share	**52**	7
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purpose of basic earnings per share	**374**	383
Effect of dilutive potential ordinary shares:		
Share options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**374**	383

The computation of the diluted earnings per share for the current and prior years does not assume the exercise of the Company's share options, of which the relevant exercise price was higher than the average market price of shares of the Company for the period when those options were outstanding.

13. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

14. Investment Properties

	2020 **HK$ million**	2019 HK$ million
FAIR VALUE		
At the beginning of the year	**4,583**	5,069
Exchange adjustments	**286**	(104)
Additions	**12**	11
Disposals	**(8)**	(389)
(Decrease) increase in fair value recognised	**(153)**	44
Reclassified as assets classified as held for sale	**–**	(48)
At the end of the year	**4,720**	4,583

The investment properties are completed and situated in Mainland China.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

14. Investment Properties (Continued)

The fair values of the Group's investment properties at date of transfer, 31 December 2020 and 31 December 2019 have been arrived at on the basis of valuations carried out on that date by Savills Valuation and Professional Services Limited, independent qualified professional valuer not connected to the Group, which have appropriate qualifications and recent experience in the valuation of similar properties in relevant locations.

In determining the fair value of the relevant properties, the Group engages the qualified external valuer to perform the valuation. The management of the Company works closely with the external valuer to establish the appropriate valuation techniques and inputs to the model. The management of the Company reports the findings of the valuation to the Directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties.

The valuations have been arrived by reference to direct comparison method as available in the market and where appropriate, on the basis of capitalisation of net income. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

During the year ended 31 December 2019, one of the Group's investment properties was reclassified to assets classified as held for sale upon meeting the conditions for such classification. This investment property has been disposed of in 2020.

There has been no change to the valuation technique during the year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The major inputs used in the fair value measurement of investment properties and information about the fair value hierarchy at 31 December 2020 and 31 December 2019 are as follows:

Investment properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 1 – Shenyang Project Phase I retail portion and car parking spaces	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.25% (2019: 6.25%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 1, and vice versa
			Monthly market rent of retail portion, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB79-175 (2019: RMB80-178) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A significant increase in the monthly market rent used would result in a significant increase in fair value of property 1, and vice versa
		Direct Comparison Approach The key input is market price	Market price of car parking spaces, taking into account the time and location between the comparables and the property, of RMB250,000 (2019: RMB260,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 1 and vice versa

14. Investment Properties (Continued)

Investment properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 2 – Chongqing Creative Concepts Center retail portion and car parking spaces	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 5.0% (2019: 5.0%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 2, and vice versa
			Monthly market rent of retail portion, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB91-228 (2019: RMB115-230) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A significant increase in the monthly market rent used would result in a significant increase in fair value of property 2, and vice versa
		Direct Comparison Approach The key input is market price	Market price of car parking spaces, taking into account the time and location between the comparables and the property, of RMB170,000 (2019: RMB170,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 2 and vice versa
Property 3 – Guangzhou Parc Oasis car parking spaces	Level 3	Direct Comparison Approach The key input is market price	Market price, taking into account the time and location between the comparables and the property, of RMB330,000 (2019: RMB330,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 3 and vice versa

14. Investment Properties (Continued)

Investment properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 4 – Chengdu Centropolitan retail portion, office and car parking spaces	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 4.5%-5.0% (2019: 4.5%-5.0%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 4, and vice versa
			Monthly market rent of properties other than car parking spaces, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB88-196 (2019: RMB89-200) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A significant increase in the monthly market rent used would result in a significant increase in fair value of property 4, and vice versa
		Direct Comparison Approach The key input is market price	Market price of car parking spaces, taking into account the time and location between the comparables and the property, of RMB160,000 (2019: RMB160,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 4 and vice versa
Property 5 – Tianjin Veneto Phase 1	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.5% (2019: 6.5%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 5, and vice versa
			Monthly market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB24-94 (2019: RMB29-97) per sqm per month on gross floor area basis	The higher the market unit rent, the higher the fair value	A significant increase in the market unit rent used would result in a significant increase in fair value of property 5, and vice versa

Investment properties classified as assets held for sale	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 6 – Chengdu Centropolitan Kindergarten premise *(disposed in 2020)*	(2019: Level 2)	With reference to the transaction price in the sale and purchase agreement	Not applicable	Not applicable	Not applicable

15. Property, Plant and Equipment

	Properties in other regions of the PRC HK$ million	Plant and machinery HK$ million	Motor vehicles HK$ million	Equipment, furniture and other assets HK$ million	Total HK$ million
AT COST					
At 1 January 2019	1	2	23	110	136
Additions	–	–	2	6	8
Acquired on acquisition of subsidiaries	–	–	–	1	1
Disposals	–	–	(4)	(3)	(7)
Exchange adjustments	–	–	–	(1)	(1)
At 31 December 2019	1	2	21	113	137
Additions	**–**	**–**	**9**	**13**	**22**
Disposals	**–**	**(1)**	**(9)**	**–**	**(10)**
Exchange adjustments	**–**	**–**	**–**	**4**	**4**
At 31 December 2020	**1**	**1**	**21**	**130**	**153**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2019	–	2	16	82	100
Charge for the year	–	–	3	9	12
Eliminated on disposals	–	–	(4)	(3)	(7)
Exchange adjustments	–	–	–	–	–
At 31 December 2019	–	2	15	88	105
Charge for the year	**–**	**–**	**4**	**10**	**14**
Eliminated on disposals	**–**	**(1)**	**(8)**	**–**	**(9)**
Exchange adjustments	**–**	**–**	**–**	**4**	**4**
At 31 December 2020	**–**	**1**	**11**	**102**	**114**
CARRYING VALUES					
At 31 December 2020	**1**	**–**	**10**	**28**	**39**
At 31 December 2019	1	–	6	25	32

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Properties in other regions of the PRC (all of which are buildings located on land held under medium-term leases)	2.5% or remaining lease term, if shorter
Plant and machinery	10 – 25%
Motor vehicles, equipment, furniture and other assets	20 – 50%

16. Interests in Joint Ventures

(i) Joint ventures

	2020 **HK$ million**	2019 HK$ million
Cost of unlisted investments in joint ventures, net of impairment	**316**	316
Share of post-acquisition losses and other comprehensive income	**(205)**	(215)
	111	101

Particulars of the principal joint ventures are set out in note 41.

Note:

During the year ended 31 December 2019, the Group disposed of 34.8% effective equity interest in a joint venture, which operates a cement grinding mill in Nanjing, through the disposal of 58% issued shares of a wholly-owned subsidiary of the Company. Following completion of the disposal, this subsidiary became a 42%-owned joint venture of the Group and the effective equity interest in the joint venture was reduced from 60% to 25.2%, and continue to be accounted for as a joint venture of the Group. Details of the transaction were set out in an announcement and a circular of the Company dated 14 May 2019 and 12 June 2019 respectively.

The summarised financial information in respect of the joint ventures that are not individually material to the Group at and for each of the years ended 31 December 2020 and 31 December 2019 attributable to the Group's interest is as follows:

	2020 **HK$ million**	2019 HK$ million
Profit (loss) after tax	**7**	(3)
Total comprehensive income (expense)	**7**	(3)

The Group has discontinued recognition of its share of loss of a joint venture in Nanjing because the Group's share of losses of this joint venture in previous years has exceeded its investment cost. The amounts of the unrecognised share of profits (losses) of the joint venture, both for the year and cumulatively, are as follows:

	2020 **HK$ million**	2019 HK$ million
Unrecognised share of profit (loss) of the joint venture for the year	**1**	(8)
Accumulated unrecognised share of losses of the joint venture	**(53)**	(54)

(ii) Joint operations

The Group's joint operation, China State – Shui On Joint Venture, was formed for the design and construction of the Centre of Excellence in Paediatrics in Hong Kong. The Group has a 40% interest in this joint operation, which was set up and operating in Hong Kong.

17. Financial Assets at Fair Value Through Other Comprehensive Income

	2020 HK$ million	2019 HK$ million
Financial assets at fair value through other comprehensive income		
Listed equity securities in Hong Kong (note)	**32**	51

Note:

The above listed equity securities represent the Group's equity interest in Shui On Land Limited ("SOL") and they are classified as level 1 fair value measurement and is derived from quoted market price. At 31 December 2020, the Group held a 0.4% (2019: 0.4%) equity interest in SOL.

18. Amounts due from/to Joint Ventures

	2020 HK$ million	2019 HK$ million
Amounts due from joint ventures (note a)	**75**	74
Amounts due to joint ventures (note b)	**137**	123

Notes:

(a) The balances are unsecured, interest-free and repayable on demand. In the opinion of the Directors of the Company, the balances will be recoverable in the next twelve months from the end of the reporting period.

(b) The balances are unsecured and repayable on demand. Out of the total balance, a total of HK$59 million bear interest at 4.35% per annum (2019: 4.35%) and the rest is interest-free.

19. Properties held for Sale/Properties under Development for Sale

The properties held for sale and properties under development for sale are situated in Mainland China.

	2020 HK$ million	2019 HK$ million
Properties held for sale	**807**	393
Properties under development for sale (note a)	**180**	687

Notes:

(a) Properties under development for sale of HK$$111 million at 31 December 2020 (2019: nil) represent the carrying value of the properties expected to be completed and available for sale after one year from the end of the reporting period.

(b) The leasehold land element cannot be allocated in proportion to the relative carrying amounts and the entire properties are classified as properties held for sale or properties under development for sale.

20. Other Current Assets

Debtors, deposits and prepayments

	2020 HK$ million	2019 HK$ million
Trade debtors (note b)		
– Construction contract	**646**	364
– Sales of goods	**4**	4
– Rendering of services	**22**	3
– Operating lease receivables	**17**	11
	689	382
Less: Allowance for credit losses	**(6)**	(5)
	683	377
Consideration receivable in respect of disposal of an associate (note c)	**34**	36
Prepayments, deposits and other receivables (note d)	**852**	851
	1,569	1,264
Less: amounts due for settlement after 12 months (note e)	**(7)**	–
	1,562	1,264

Notes:

(a) The Group maintains a defined credit policy to assess the credit quality of each counterparty. Collections are closely monitored to minimise any credit risk associated with trade debtors. The general credit term ranges from 30 to 90 days.

(b) At 1 January 2019, 31 December 2019 and 31 December 2020, trade debtors from contracts with customers amounted to HK$406 million, HK$371 million and HK$672 million respectively.

(c) The balance carries interest at 15% per annum.

(d) Included in prepayments, deposits and other receivables are receivables of HK$505 million (2019: HK$482 million) due from CCP's former subsidiary group (the "Debtor"), which hold a property interest in the PRC and were disposed of in 2008. The amounts are repayable on demand and out of the total outstanding balance, an amount of HK$143 million (2019: HK$134 million) carries interest at prevailing market rates. A court in the PRC issued notices to attach the aforesaid property interest to cause the Debtor to settle part of the onshore outstanding receivables in the amount of RMB276 million (approximately HK$328 million) (2019: RMB276 million (approximately HK$308 million)) and its related interest. In addition to these receivables, the Company has provided a guarantee in relation to a loan granted to the Debtor (see note 35(a)). Given that there have been continued positive outcomes in the legal disputes in relation to the property interest and recovery of the outstanding receivables, including the successful registration of title deed of the property under the name of the Debtor in May 2015, the Directors of the Company believe that these receivables will be fully settled and the guarantee provided by the Company will be fully released either through the public auction of the aforesaid property interest or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

(e) The balance carries interest at 5% per annum.

20. Other Current Assets (Continued)

Debtors, deposits and prepayments (Continued)

The following is an aged analysis of trade debtors (based on the repayment terms set out in sale and purchase agreements or invoice date, as appropriate) net of allowance for credit losses at the end of the reporting period:

	2020 **HK$ million**	2019 HK$ million
Trade debtors aged analysis:		
Not yet due or within 90 days	**673**	372
Amounts past due but not impaired:		
91 days to 180 days	**1**	3
181 days to 360 days	**6**	1
Over 360 days	**3**	1
	10	5
	683	377

Movement in the allowance for credit losses under life time ECL:

	2020 **HK$ million**	2019 HK$ million
Balance at the beginning of the year	**5**	5
Increase in provision recognised for the year	**1**	–
Balance at the end of the year	**6**	5

Included in the trade debtors are receivables of HK$9 million (2019: HK$2 million), which are aged over 180 days, based on the date on which revenue was recognised.

No provision for impairment is considered necessary in respect of the amounts past due but not impaired as there has not been a significant change in credit quality and balances are still considered fully recoverable.

Details of impairment assessment of trade debtors and other receivables for the year ended 31 December 2020 are set out in note 37.

Bank balances, deposits and cash

Bank balances, deposits and cash comprise cash held by the Group and deposits carry interest at market rates with original maturity of three months or less held with banks.

21. Restricted Bank Deposits

Balance at 31 December 2020 represent custody deposits amounting to HK$382 million (2019: HK$109 million) placed with banks mainly in relation to certain banking facilities of the Group.

The deposits carried interest at market rates, which ranged from 0.01% to 2.03% (2019: 0.01% to 1.10%) per annum.

22. Contract Assets and Contract Liabilities

(i) Contract assets

	2020 HK$ million	2019 HK$ million
Relating to construction contracts (note)	**665**	668

At 1 January 2019, contract assets amounted to HK$650 million.

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

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group also typically agrees to one to two years retention period for 1% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment become unconditional upon expiration of the defects liability period.

Note:

At 31 December 2020, the amount of contract assets that is expected to be recovered after more than one year is HK$91 million (2019: HK$97 million), all of which relates to retention receivable.

(ii) Contract liabilities

	2020 HK$ million	2019 HK$ million
Relating to property sales	**41**	321
Relating to construction contracts	**–**	3
	41	324

The Group receives a fixed sum as deposits from customers from property sales when they sign the sale and purchase agreement. These deposits are recognised as contract liabilities until the customers obtain control of the completed properties.

When the Group receives a deposit before construction services is rendered, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

22. Contract Assets and Contract Liabilities (Continued)

(ii) Contract liabilities (Continued)

Movements in contract liabilities:

	2020 **HK$ million**	2019 HK$ million
Balance at the beginning of the year	**324**	413
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(326)**	(410)
Increase in contract liabilities as a result of receiving deposits:		
– in respect of property sales	**41**	320
– in respect of construction contracts	**–**	3
Exchange adjustments	**2**	(2)
Balance at the end of the year	**41**	324

23. Amounts due from/to Related Companies/Non-controlling Shareholders of Subsidiaries

	2020 **HK$ million**	2019 HK$ million
Amounts due from related companies (notes a and b)	**12**	43
Amounts due to related companies (notes a and b)	**28**	51
Amounts due to non-controlling shareholders of subsidiaries (note b)	**–**	3

Notes:

(a) The related companies are subsidiaries of SOCL.

(b) The balances are unsecured, interest-free and repayable on demand.

24. Creditors and Accrued Charges

The aged analysis of creditors (based on invoice date) of HK$396 million (2019: HK$375 million), which are included in the Group's creditors and accrued charges, is as follows:

	2020 **HK$ million**	2019 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**353**	337
31 days to 90 days	**22**	19
91 days to 180 days	**6**	3
Over 180 days	**15**	16
	396	375
Retention payable (note b)	**375**	427
Provision for contract work/construction cost	**1,488**	1,345
Other accruals and payables	**314**	267
	2,573	2,414

Notes:

(a) The average credit period on purchases of certain goods is 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

(b) The balances include retention payable of HK$115 million (2019: HK$111 million), which is due after one year from the end of the reporting period.

25. Bank Borrowings

	2020 **HK$ million**	2019 HK$ million
Secured bank borrowings	**1,152**	891
Unsecured bank borrowings	**663**	748
	1,815	1,639
Less: Amounts due within 12 months	**(1,037)**	(1,019)
Amounts due for settlement after 12 months	**778**	620
Carrying amount repayable:		
Within one year	**1,037**	1,019
More than one year but not exceeding two years	**215**	288
More than two years but not exceeding five years	**494**	239
More than five years	**69**	93
	1,815	1,639

25. Bank Borrowings (Continued)

The carrying amount of the Group's bank borrowings is analysed as follows:

Denominated in	Interest rate (per annum)	2020 HK$ million	2019 HK$ million
At variable rates			
Renminbi	4.90% to 5.80% (2019: 5.94% to 6.89%)	**275**	323
Hong Kong dollars	1.14% to 3.05% (2019: 5.18% to 5.68%)	**1,463**	1,316
United States dollars	1.14% (2019: nil)	**77**	–
		1,815	1,639

The variable interest rates are linked to Hong Kong Interbank Offered Rate, London Interbank Offered Rate and prevailing Loan Prime Rate published by the People's Bank of China.

Notes:

1. The Group's investment properties amounting to HK$3,482 million (2019: HK$3,475 million) were pledged as security for certain banking facilities granted to the Group at the end of the reporting period.
2. Restricted bank deposits amounting to HK$365 million (2019: HK$17 million) at 31 December 2020 were placed with banks in relation to certain banking facility arrangements entered into with the Group.
3. In addition, certain equity interests in some subsidiaries were also charged to banks as security for certain banking facilities granted to the Group at the end of the reporting period.

26. Senior Notes

	2020 HK$ million	2019 HK$ million
At the beginning of the year	**1,344**	2,023
Issue of new senior notes	**1,399**	–
Less: Transaction costs directly attributable to issue	**(19)**	–
Interests charged during the year	**122**	118
Less: Discount on buy-back of senior notes	**(3)**	–
Less: Interest payable reclassified to other payables	**(108)**	(105)
Less: Buy-back of senior notes	**(125)**	(685)
Less: Repayment of senior notes	**(1,343)**	–
Exchange adjustments	**(9)**	(7)
At the end of the year	**1,258**	1,344
Less: Amount due within one year shown under current liabilities	**–**	(1,344)
Amount due after one year	**1,258**	–

At 31 December 2020, the senior notes carries interest at 6.25% (2019: 6.25%) per annum.

26. Senior Notes (Continued)

Issuance of senior notes during the current year

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

Principal terms of the 2022 US$180 million Notes

The 2022 US$180 million Notes are:

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

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

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

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

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

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

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

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

Buy-back of senior notes

During the year ended 31 December 2020, the Group bought-back US$16.6 million (HK$128 million) senior notes from open market at a price ranged from 91.1% to 99.3% to its face value. The difference between the buy-back consideration paid and the carrying amount of senior notes derecognised, amounting to approximately HK$3 million, is included in "other income, other gains and losses".

27. Share Capital

	2020 Number of shares	2019 Number of shares	**2020 HK$ million**	2019 HK$ million
Ordinary shares of HK$1 each:				
Authorised				
At the beginning and the end of the year	**1,000,000,000**	1,000,000,000	**1,000**	1,000
Issued and fully paid				
At the beginning of the year	**374,396,164**	384,410,164	**374**	384
Buy-back of shares	**–**	(10,014,000)	**–**	(10)
At the end of the year	**374,396,164**	374,396,164	**374**	374

During the year ended 31 December 2019, the Company bought-back 10,014,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$1.88 to HK$2.68 per share, for a total consideration of approximately HK$23 million. The bought-back shares were cancelled and the issued share capital of the Company was reduced by the nominal value of the bought-back shares. The premium of approximately HK$13 million paid on the bought-back shares was debited to the share premium account.

The buy-back was effected by the Directors with a view to benefiting the shareholders as a whole by accreting the Group's net asset value per share.

No new shares were issued during the year.

28. Retirement Benefit Plans

Hong Kong

The Group participates in both a defined benefit scheme (the "Scheme"), which is registered under the Occupational Retirement Schemes Ordinance and a Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme and established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the Scheme or switching to the MPF Scheme. All employees joining the Group on or after 1 December 2000 have been required to join the MPF Scheme.

Mandatory Provident Fund Scheme

For members of the MPF Scheme, contributions are made by the employee at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employee's salary, depending on the employee's length of service with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated statement of profit or loss as staff cost during the year amounted to HK$23 million (2019: HK$19 million). The amount of employer's voluntary contributions to the MPF Scheme forfeited for the years ended 31 December 2020 and 31 December 2019 was immaterial and was used to reduce the existing level of contributions.

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme

Contributions to the Scheme are made by the members at 5% of their salaries and by the Group at rates, which are based on recommendations made by the actuary to the Scheme. The current employer contribution rate is 5.8% (2019: 5.8%) of the members' salaries. Under the Scheme, a member is entitled to retirement benefits, which comprise the sum of any benefits transferred from another scheme and the greater of the sum of the employer's scheduled contribution plus the member's contribution (both contributions being calculated on the scheme salary of the member) accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the years of service in the Scheme on the attainment of the retirement age of 60. For members who joined the Scheme before 1997, the retirement age is 60 for male members and 55 for female members.

The Scheme typically exposes the Company to the following key risks:

- Investment risk

  Strong investment returns tend to increase the fair value of Scheme assets and therefore improve the Scheme's financial position as measured by the net defined benefit liability/asset, whilst poor or negative investment returns tend to weaken the position.

  The members' balances are credited with 6% per annum and 1% per annum interest to pre and post 1 September 2003 balances respectively. Therefore, investment returns are expected to cover the interest to be credited to members' balances over the long term.

  The Scheme assets are invested in a diversified portfolio of equities, hedge funds, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location helps to reduce the concentration of risk associated with the Scheme investments.

- Interest rate risk

  The defined benefit obligation is calculated using a discount rate based on market bond yields. A decrease in the bond yields will increase the defined benefit obligation.

- Salary risk

  The defined benefit obligation is calculated with reference to the future salaries of members because the Scheme's benefits are salary-related. Salary increases that are higher than expected will increase the defined benefit obligation.

The most recent actuarial valuations of the Scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2020 by Mr. Leong-Hang Choi of Willis Towers Watson, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

The principal actuarial assumptions used at the end of the reporting periods are as follows:

	2020	2019
Discount rate	**0.3%**	1.7%
Expected rate of salary increase	**1.5% p.a.**	3.5% p.a.

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

The actuarial valuation shows that the fair value of the Scheme assets attributable to the Group at 31 December 2020 was HK$398 million (2019: HK$387 million), representing 96% (2019: 87%) of the benefits that has accrued to members.

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income for the year in respect of the Scheme are as follows:

	Year ended 31 December	
	2020	2019
	HK$ million	HK$ million
Current service cost	**11**	10
Net interest on net defined benefit liabilities	**1**	1
Administrative expenses paid from scheme assets	**1**	2
Defined benefit cost recognised in the consolidated statement of profit or loss	**13**	13
Actuarial loss due to experience adjustment	**5**	9
Actuarial (gain) loss due to financial assumption changes	**(7)**	4
Return on Scheme assets greater than discount rate	**(48)**	(28)
Remeasurement effects recognised in the consolidated statement of other comprehensive income	**(50)**	(15)
Total	**(37)**	(2)

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of the Scheme is as follows:

	2020	2019
	HK$ million	HK$ million
Present value of defined benefit obligation	**(414)**	(445)
Fair value of Scheme assets	**398**	387
Defined benefit liabilities included in the consolidated statement of financial position	**(16)**	(58)

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

The Scheme assets do not include any shares in the Company (2019: nil).

Movements of the present value of defined benefit obligation are as follows:

	2020 HK$ million	2019 HK$ million
At the beginning of the year	445	409
Current service cost	11	10
Interest cost	7	7
Employees' contributions	5	5
Actuarial loss – experience adjustment	5	9
Actuarial (gain) loss – financial assumptions	(7)	4
Benefits paid	(57)	(38)
Transfer in	5	39
At the end of the year	414	445

Movements of the present value of Scheme assets are as follows:

	2020 HK$ million	2019 HK$ million
At the beginning of the year	387	343
Interest income on Scheme assets	6	6
Return on scheme assets greater than discount rate	48	28
Employers' contributions	5	6
Employees' contributions	5	5
Benefits paid	(57)	(38)
Transfer in	5	39
Administrative expenses paid from scheme assets	(1)	(2)
At the end of the year	398	387

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

The major categories of Scheme assets of total Scheme assets are as follows:

	2020 **HK$ million**	2019 HK$ million
Equities	**199**	12
Bonds	**179**	255
Cash and others	**20**	120
	398	387

The fair value of the Scheme assets is determined based on quoted market price in active market.

The below tables summarises the results of sensitivity analysis on the defined benefit obligation ("DBO"), based on reasonably possible changes in significant actuarial assumptions.

	Adopted rate	**Change to Adopted rate**	**Rate used in sensitivity analysis**	**Effect on DBO** **HK$ million**	**Effect on DBO** **%**
At 31 December 2020					
Discount rate	**0.3%**	**+0.25%**	**0.55%**	**(5)**	**(1.3%)**
		-0.25%	**0.05%**	**5**	**1.3%**
Expected rate of salary increase	**1.5%**	**+0.25%**	**1.75%**	**5**	**1.1%**
		-0.25%	**1.25%**	**(5)**	**(1.1%)**
At 31 December 2019					
Discount rate	1.7%	+0.25%	1.95%	(6)	(1.3%)
		-0.25%	1.45%	6	1.4%
Expected rate of salary increase	3.5%	+0.25%	3.75%	6	1.4%
		-0.25%	3.25%	(6)	(1.4%)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

The expected contributions to the Scheme during the next financial year are as follows:

	2020 **HK$ million**	2019 HK$ million
Expected employer contributions	**5**	6
Expected member contributions	**4**	5

The weighted average duration of the defined benefit obligation at 31 December 2020 is 4.7 years (2019: 5.0 years).

PRC

The employees of the Company's subsidiaries in the PRC are members of state-managed retirement plans operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement plans to fund the benefits. The only obligation of the Group with respect to the retirement plans is to make the specified contributions. The Group's contributions to state-managed retirement plans charged to the consolidated statement of profit or loss as staff cost during the year amounted to HK$2 million (2019: HK$8 million).

No other post-retirement benefits are provided to the employees of the Group.

29. Deferred Taxation

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$ million	**Revaluation of properties HK$ million**	**Tax losses HK$ million**	**Total HK$ million**
At 1 January 2019	(1)	(431)	97	(335)
Exchange adjustments	–	9	(3)	6
Disposal of a subsidiary	–	–	(1)	(1)
Credit to consolidated statement of profit or loss	–	16	1	17
At 31 December 2019	(1)	(406)	94	(313)
Exchange adjustments	**–**	**(23)**	**4**	**(19)**
Credit (charge) to consolidated statement of profit or loss	**(1)**	**45**	**(33)**	**11**
At 31 December 2020	**(2)**	**(384)**	**65**	**(321)**

29. Deferred Taxation (Continued)

Notes:

(a) For the purposes of the consolidated statement of financial position presentation certain deferred tax assets and liabilities have been offset.

(b) At 31 December 2020, the Group had unused tax losses of HK$1,949 million (2019: HK$1,876 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK$257 million (2019: HK$376 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$1,692 million (2019: HK$1,500 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2020 are tax losses of approximately HK$506 million (2019: HK$359 million) that will expire within 5 years from the year of originating. Other tax losses may be carried forward indefinitely.

(c) Under the tax regulations of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Group's PRC investees from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to profits earned by the Company's PRC subsidiaries amounting to HK$702 million at 31 December 2020 (2019: HK$659 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. Lease Arrangements

As lessee

The Group leases certain office properties. Leases are negotiated for lease terms ranging from one to three years.

Information about leases for which the Group is a lessee is presented below.

(a) Right-of-use assets

	2020 **HK$ million**	2019 HK$ million
At the beginning of the year	**15**	21
Depreciation	**(22)**	(16)
Additions	**36**	10
At the end of the year	**29**	15

(b) Amounts recognised in profit or loss

	2020 **HK$ million**	2019 HK$ million
Interest on lease liabilities	**1**	1
Expenses relating to short-term leases	**2**	3

(c) Amounts recognised in statement of cash flows

	2020 **HK$ million**	2019 HK$ million
Total cash outflow for leases	**23**	19

30. Lease Arrangements (Continued)

As lessor

The Group leases out its investment properties and all leases are classified as operating leases. Rental income from the Group's investment properties during the year ended 31 December 2020 was HK$68 million (2019: HK$87 million), of which contingent rental income was HK$8 million (2019: HK$13 million).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 **HK$ million**	2019 HK$ million
Within one year	**68**	69
After one year but within two years	**59**	64
After two years but within three years	**47**	51
After three years but within four years	**33**	38
After four years but within five years	**29**	27
After five years	**122**	133
	358	382

31. Capital Commitments

At 31 December 2020, the Group had no significant capital commitments (2019: nil).

32. Share-based Payments

On 22 August 2012, the Company adopted a share option scheme (the "Existing Scheme"), which has a life of 10 years until 21 August 2022, to replace the share option scheme adopted on 27 August 2002 (the "Old Scheme"), which had expired on 30 August 2012. Since then, no further option can be granted under the Old Scheme, but all options granted previously remain exercisable in accordance with the terms of the Old Scheme and the relevant letters of offers to the respective grantees. The principal terms of each of the Existing Scheme and Old Scheme are summarised below:

(i) The Existing Scheme

1. Purpose

To grant share incentives for recognising, acknowledging and promoting the contributions which eligible participants have made or may make to the Group.

2. Eligible participants

Any of the following persons whose eligibility is determined by the Board from time to time on the basis of his performance and contribution to the development and growth of the Group: any employee, director, officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity.

3. Total number of shares available for issue

48,402,842 shares, representing approximately 12.9% of the issued shares of the Company as of 31 December 2020.

32. Share-based Payments (Continued)

(i) The Existing Scheme (Continued)

4. Maximum entitlement of each eligible participant

Not exceeding 1% of the shares of the Company in issue in any 12-month period, unless approved by shareholders of the Company in general meeting.

5. Period within which the shares must be taken up under an option

As determined by the Board when offering the grant of any option, provided that such period must not be more than 10 years from the date of grant of the option.

6. Minimum period for which an option must be held before it could be exercised

As determined by the Board when offering the grant of any option.

7. Exercise price

Not less than the highest of: (i) the closing price of a share of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as shown in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

8. Payment on and period of acceptance

Payment of HK$1.00 by each eligible participant to the Company on acceptance of an offer of option within 28 days from the date of the offer.

(ii) The Old Scheme

1. Purpose

To grant share incentives for recognising and acknowledging the contributions which eligible participants had made or might make to the Group.

2. Eligible participants

Any of the following persons whose eligibility was determined by the Board from time to time on the basis of his performance and contribution to the development and growth of the Group: any employee, director, officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity.

3. Total number of shares available for issue

1,442,000 shares, representing approximately 0.39% of the issued shares of the Company as of 31 December 2020.

4. Maximum entitlement of each eligible participant

Not exceeding 1% of the shares of the Company in issue in any 12-month period, unless approved by shareholders of the Company in general meeting.

5. Period within which the shares must be taken up under an option

As determined by the Board when offering the grant of any option, provided that such period must not be more than 10 years from the date of grant of the option.

32. Share-based Payments (Continued)

(ii) The Old Scheme (Continued)

6. Minimum period for which an option must be held before it could be exercised

As determined by the Board when offering the grant of any option.

7. Exercise price

Not less than the highest of: (i) the closing price of a share of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as shown in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

8. Payment on and period of acceptance

Payment of HK$1.00 by each eligible participant to the Company on acceptance of an offer of option within 28 days from the date of the offer.

The following tables disclose details of the Company's share options held by employees (including the Directors of the Company) and movements in such holdings during the year.

		Number of shares subject to options						
Date of grant	**Subscription price per share** **HK$**	**At 1 January 2020**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2020**	**Period during which share options outstanding are exercisable**	**Average closing reference price for exercise of options** **HK$** **(Note)**
28 July 2011	10.00	**1,442,000**	**-**	**-**	**-**	**1,442,000**	1 May 2015 to 27 July 2021	–
		1,442,000	**-**	**-**	**-**	**1,442,000**		
Number of shares subject to options exercisable at the end of the year						**1,442,000**		

32. Share-based Payments (Continued)

Date of grant	Subscription price per share HK$	At 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2019	Period during which share options outstanding are exercisable	Average closing reference price for exercise of options HK$ (Note)
		Number of shares subject to options						
28 July 2011	10.00	1,442,000	–	–	–	1,442,000	1 May 2015 to 27 July 2021	–
		1,442,000	–	–	–	1,442,000		
Number of shares subject to options exercisable at the end of the year						1,442,000		

Note:
No share options were exercised during the years ended 31 December 2020 and 2019.

The vesting conditions of the share option grant are as follows:

Service Requirement — The options might vest on 1 May 2015 subject to the satisfaction of all the performance conditions, and the vested options will become exercisable in accordance with the following schedule:

50%: from 1 May 2015

25%: from 1 January 2016

25%: from 1 January 2017

Performance Hurdle — Vesting of the options was based on, in the case of grants to Executive Directors, the achievement of corporate performance targets covering three major areas of financial performance, project-specific achievement and future growth potential and, in the case of grants to selected key executives, both the achievement of the said corporate performance targets as well as individual performance, over a period of the 3.5 years from 1 July 2011 to 31 December 2014.

The vesting schedule is as follows:

Performance	**Vested portion of options**
Excellent (> 150% of target)	Up to 100%
Superior (125% – 150% of target)	Up to 80%
Good (100% of target)	Up to 40%
Fair (75% of target)	Up to 20%
Poor (<75% of target)	0%

No share options were granted by the Company pursuant to the Existing Scheme during the years ended 31 December 2020 and 2019. Therefore, no considerations were received by the Company for taking up any share option during both years.

No expense was recognised for the year ended 31 December 2020 (2019: nil) in relation to share options granted by the Company.

33. Business Combination

On 18 April 2019, the Group entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of SOCL to acquire the entire issued share capital of Shui On Properties Management Services Limited ("SOPMSL"). SOPMSL and its wholly-owned subsidiary, Shui On Properties Management Limited ("SOPML", collectively the "SOPMSL Group"), principally engage in the provision of property management services in Hong Kong. The transaction was completed on 30 April 2019 and SOPMSL and SOPML became the indirect wholly-owned subsidiaries of the Company. Details of the transaction were set out in an announcement of the Company dated 18 April 2019.

The following table summarised the consideration paid, fair value of the assets acquired and liabilities assumed at the acquisition date:

	HK$ million
Cash consideration	35
Fair value of the net assets acquired	(28)
Goodwill arising on acquisition	7
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	1
Other intangible assets	8
Debtors, deposits and prepayments	11
Amounts due from related companies	12
Restricted bank deposits	3
Bank balances, deposits and cash	9
Creditors and accrued charges	(4)
Amounts due to related companies	(12)
Total identifiable net assets	28
Net cash outflow arising on acquisition	
Cash consideration paid	(35)
Bank balances, deposits and cash acquired	9
	(26)

The fair value of the receivables acquired represented their gross contractual amounts at the date of acquisition.

The acquisition-related costs were not material and were charged to other expenses in the consolidated statement of profit or loss for the year ended 31 December 2019.

The goodwill recognised was primarily attributed to the diversification of the Group's income stream and developing of the Group's revenue and earning sources in the property management business in Hong Kong.

33. Business Combination (Continued)

Turnover of HK$70 million included in the consolidated statement of profit or loss since the date of acquisition to 31 December 2019 was contributed by SOPMSL Group. SOPMSL Group also contributed net profit of HK$6 million over the same period.

Had the acquisition been completed on 1 January 2019, total group turnover and profit attributable to owners of the Company for the year ended 31 December 2019 would had been HK$5,578 million and HK$10 million respectively. The pro forma information was for illustrative purposes only and was not necessarily an indication of turnover and results of operations of the Group that actually would had been achieved had the acquisition been completed on 1 January 2019, nor was it intended to be a projection of future results.

34. Disposal of an investment property through disposal of a subsidiary

During the year ended 31 December 2019, the Group disposed of an investment property in Hong Kong through disposal of the entire share interest in a wholly-owned subsidiary, which owned the property. The transaction was accounted for as a sale of an investment property in the ordinary course of the Group's property business. Details of the transaction were set out in an announcement of the Company dated 19 July 2019.

The net assets disposed of in the transaction are as follows:

	HK$ million
Investment property	387
Deferred tax assets	1
Net assets disposed of	388
Consideration	387
Net assets disposed of	(388)
Transaction costs incurred in connection with the disposal	(5)
Loss on disposal	(6)
Net cash inflow arising on disposal:	
Cash consideration received	387
Transaction costs paid	(5)
	382

35. Contingent Liabilities

At 31 December 2020, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

(a) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of CCP at that time (the "Former Subsidiary"). Subsequently, the Former Subsidiary was sold by CCP in 2008, but the Company remained as the guarantor for the bank loan following the disposal (see note 20(d) for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee to October 2021, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$644 million) (2019: RMB542 million (HK$605 million)) and the related interest amounting to RMB614 million (HK$730 million) (2019: RMB547 million (HK$611 million)) are secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

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

(b) The Group is in discussion with the local government authority in the PRC with respect to the delay in construction completion of a development project in Tianjin, by the date as stipulated in the relevant land grant contracts. The relevant local government authority has accepted certain of the reasons identified by the Group in supporting the application for extending the completion date of the project. Based on the respective supplemental land grant contracts, a penalty of 0.02% of the land grant premium per day would be imposed from 29 June 2018 until the completion of the construction. Taking into account the aforesaid extension as accepted by the government authority and the fact that phase 1 of the project has been completed in 2015 and is in operation; and phase 2 of the project has been launched for pre-sale since January 2019, the estimated penalty as at 31 December 2020, if any, will not be more than RMB14 million (2019: RMB8.3 million). The management of the Company will resume the communication with the relevant government authority after the ease of epidemic in the PRC and are of the view that the exposure should be further reduced or fully exempted.

36. Material Related Party Transactions

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

Nature of transactions	**2020** **HK$ million**	2019 HK$ million
Dividend income	**3**	4
Management and information system services	**–**	1
Property management services income	**7**	4
Interest expenses	**–**	4
Rental expenses	**1**	1

The outstanding balances with SOCL Private Group at the end of the reporting period are disclosed in note 23.

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

Nature of transactions	**2020** **HK$ million**	2019 HK$ million
Interest expenses	**11**	11
Subcontracting work expenses	**2**	8

The outstanding balances with joint ventures at the end of the reporting period are disclosed in note 18.

(c) The Group is licensed by Shui On Holdings Limited, a wholly-owned subsidiary of SOCL, to use the trademark, trade name of "Shui On", "瑞安" and/or the Seagull devices on a non-exclusive, royalty-free basis for an unlimited period of time.

(d) During the year ended 31 December 2019, the Group acquired the entire issued share capital of Shui On Properties Management Services Limited (which was an indirect wholly-owned subsidiary of SOCL and holds the entire issued share capital of Shui On Properties Management Limited) from a wholly-owned subsidiary of SOCL for a consideration of HK$35 million.

(e) During the year ended 31 December 2019, the Group disposed of 34.8% effective interest in a joint venture through disposal of 58% of the issued ordinary shares of Great Market Limited (which was an indirect wholly-owned subsidiary of the Company and holds 60% interest in this joint venture) to an indirect wholly-owned subsidiary of Shui On Land Limited for the total transaction amount of RMB148 million (HK$165 million). A gain on disposal of partial interest in this joint venture of HK$62 million was recognised in the consolidated statement of profit or loss for the year ended 31 December 2019.

(f) During the year ended 31 December 2019, the Group obtained unsecured loan of HK$300 million carrying interest at 3.5% over applicable Hong Kong Interbank Offered Rate per annum from a wholly-owned subsidiary of SOCL, which was fully repaid in the same year.

(g) During the year ended 31 December 2019, the Group repaid unsecured non-interest bearing short-term loan of HK$15 million to a subsidiary of SOL.

36. Material Related Party Transactions (Continued)

(h) Disclosures of the remuneration of Directors and other members of key management during the year under HKAS 24 "Related Party Disclosures", were as follows:

	2020 HK$ million	2019 HK$ million
Fees	**2**	2
Salaries and other benefits	**24**	40
Performance bonuses	**17**	9
Retirement benefit scheme contributions	**1**	1
	44	52

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

Certain of the above related party transactions also constituted non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules, details of which are disclosed under the Directors' Report section.

37. Financial Instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. There has been no change in the Group's exposure to capital risk or the manner in which it manages and measures the risk.

The capital structure of the Group consists of debts, which include bank borrowings and senior notes, and equity attributable to the owners of the Company, comprising issued share capital, reserves and accumulated losses.

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will adjust its overall capital structure through the issue of new shares, new debt or the redemption of existing debt.

(b) Categories of financial instruments

	2020 HK$ million	2019 HK$ million
Financial assets		
At fair value through other comprehensive income	**32**	51
At amortised cost	**3,126**	2,833
Financial liabilities		
At amortised cost	**4,091**	4,104

37. Financial Instruments (Continued)

(c) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, debtors, amounts due from joint ventures and related companies, restricted bank deposits, bank balances, deposits and cash, creditors, amounts due to joint ventures, related companies and non-controlling shareholders of subsidiaries, lease liabilities, senior notes and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

The Group is exposed primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk. Details of each type of market risk are described as follows:

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and variable-rate borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk but would consider doing so in respect of significant exposure should the need arise.

The Group is also exposed to fair value interest rate risk in relation to the fixed-rate senior notes and interest-bearing financial assets.

The Group's exposure to interest rates on bank deposits and financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate, London Interbank Offered Rate and People's Bank of China Loan Prime Rate arising from the Group's borrowings.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for variable-rate borrowings. No sensitivity analysis is performed for bank deposits as the management considered the risk is immaterial. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. An increase or decrease of 100 basis points (2019: 100 basis points) is used when reporting the interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been increased/decreased by 100 basis points (2019: 100 basis points) and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately HK$18 million for the year ended 31 December 2020 (2019: HK$16 million). In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

(ii) Foreign currency risk

Most of the Group's financial assets and financial liabilities are denominated in Hong Kong dollars or Renminbi, which are the same as the functional currency of the relevant group entities. The Group has certain bank balances and cash, current accounts with joint ventures and borrowings, which are denominated in foreign currencies and hence exposure to exchange rate fluctuations arises. The Group currently manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and will take out currency hedging contracts to reduce its foreign currency risk, where appropriate.

37. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Foreign currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are as follows:

	2020 **HK$ million**	2019 HK$ million
Assets		
Renminbi	**1,597**	1,513
United States dollars	**95**	95
Hong Kong dollars	**306**	307
Liabilities		
United States dollars	**1,344**	1,349
Hong Kong dollars	**617**	570

Foreign currency sensitivity

The Group's foreign currency risk is mainly concentrated on the fluctuation among Renminbi, the United States dollars and Hong Kong dollars. The sensitivity analysis does not include those United States dollars denominated assets and liabilities when they are held by group entities having Hong Kong dollars as their functional currency since the exchange rates between United States dollars and Hong Kong dollars are pegged. The following table details the Group's sensitivity to a 7% (2019: 7%) change in the functional currencies of the relevant group entities against foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 7% (2019: 7%) change in foreign currency rates. The following table indicates the impact to the profit after tax where the foreign currencies strengthen against the functional currencies of the relevant group entities. For a 7% (2019: 7%) weakening of the foreign currencies against the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Increase in profit	**2020** **HK$ million**	2019 HK$ million
Renminbi	**112**	106
United States dollars	**7**	7
Hong Kong dollars	**22**	18

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity instruments at fair value through other comprehensive income. If the market price of the investments had been increased/decreased by 20% (2019: 20%), the Group's reserve at 31 December 2020 would increase/decrease by approximately HK$6 million (2019: HK$10 million).

37. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 35.

Trade debtors and contract assets arising from contracts with customers

In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances and contract assets. In this regard, the Directors of the Company consider that the credit risk is significantly reduced.

As part of the Group's credit risk management, the Group applies internal credit rating for its trade debtors and contract assets. The following table provides information about the exposure to credit risk for trade debtors and contract assets, which are assessed individually for debtors.

Gross carrying amount

Internal credit rating	Average loss rates	Trade debtors HK$ million	Contract assets HK$ million
At 31 December 2020			
Low risk (note a)	**0.39%**	**657**	**618**
Watch risk (note b)	**2.31%**	**11**	**–**
Loss (note c)	**100%**	**4**	**–**
At 31 December 2019			
Low risk (note a)	0.36%	366	651
Watch risk (note b)	1.35%	1	19
Loss (note c)	100%	4	–

The estimated loss rates are estimated based on actual loss experience over the past three years and are adjusted for forward-looking information that is available without undue cost or effort.

Notes:

(a) The counterparty has a low risk of default and does not have any past-due amounts.

(b) Debtor frequently repays after due dates but usually settle after due date.

(c) There is evidence indicating the asset is credit-impaired.

37. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Lease and other receivables

In order to reduce credit risk, the Group has procedures in place to monitor the credit standing of the counterparty and to ensure that follow-up action is taken to recover these receivables. The Group reviews the recoverable amount of the other receivable of HK$505 million due from a counterparty and the probability of default by this counterparty and the loss given default at the end of each reporting period. The Directors of the Company considered that no provision for impairment loss is necessary at the end of the reporting period.

The Group has certain concentration of credit risk in respect of trade debtors and other receivables. At 31 December 2020, 32% (2019: 41%) of total trade debtors and other receivables was due from a counterparty. At 31 December 2020, other receivables of HK$505 million (2019: HK$482 million) were due from a counterparty and a guarantee on outstanding loan principal amounting to RMB542 million (HK$644 million) (2019: RMB542 million (HK$605 million)) and related interest amounting to RMB614 million (HK$730 million) (2019: RMB547 million (HK$611 million)) was issued by the Company in respect of a loan advanced to this counterparty. Except for the above, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Bank balances and deposits

The credit risk on bank balances and deposits are limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

Amounts due from joint ventures and related companies

With respect to credit risk arising from amounts due from joint ventures and related companies, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparties have sufficient future cash flows to repay its debts and a good history of repayment. The Group does not expect to incur a significant loss for uncollected amounts due from these joint ventures and related companies.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the Group's contractual maturity for its financial liabilities as well as certain financial assets. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. For financial assets, the table reflects the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The table includes both interest and principal cash flows.

37. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

For derivative financial instruments that are settled on a net basis, undiscounted net cash outflows are presented.

	Weighted average effective interest rate % p.a.	On demand or less than 1 year HK$ million	1-2 years HK$ million	2-5 years HK$ million	Over 5 years HK$ million	Total undiscounted cash flow HK$ million	Carrying amount HK$ million
At 31 December 2020							
Bank deposits	**1.93%**	**390**	**–**	**3**	**–**	**393**	**391**
Non-derivative financial liabilities							
Trade and other payables (note a)	**–**	**(903)**	**(115)**	**–**	**–**	**(1,018)**	**(1,018)**
Bank borrowings at variable rate	**2.95%**	**(1,071)**	**(233)**	**(544)**	**(75)**	**(1,923)**	**(1,815)**
Senior notes	**6.25%**	**(79)**	**(1,263)**	**–**	**–**	**(1,342)**	**(1,258)**
Lease liabilities	**5.00%**	**(24)**	**(9)**	**–**	**–**	**(33)**	**(30)**
		(1,687)	**(1,620)**	**(541)**	**(75)**	**(3,923)**	**(3,730)**
Financial guarantee contracts (note b)	**–**	**(1,374)**	**–**	**–**	**–**	**(1,374)**	**–**
At 31 December 2019							
Bank deposits	1.00%	93	–	–	–	93	93
Non-derivative financial liabilities							
Trade and other payables (note a)	–	(1,010)	(111)	–	–	(1,121)	(1,121)
Bank borrowings at variable rate	5.56%	(1,089)	(321)	(271)	(105)	(1,786)	(1,639)
Senior notes	6.25%	(1,374)	–	–	–	(1,374)	(1,344)
Lease liabilities	5.00%	(10)	(4)	(2)	–	(16)	(16)
		(3,390)	(436)	(273)	(105)	(4,204)	(4,027)
Financial guarantee contracts (note b)	–	(1,216)	–	–	–	(1,216)	–

Notes:

(a) Trade and other payables represent trade creditors, amounts due to joint ventures, related companies and non-controlling shareholders of subsidiaries, other financial liabilities and other payables.

(b) At the end of the reporting period, the Group has provided a financial guarantee to an independent third party (note 35(a)). In the event of the failure of this party to meet his obligation under this facility, the Group may be required to pay up to the guaranteed amount upon demand. Management does not consider that it is probable for this party to claim the Group under this guarantee.

37. Financial Instruments (Continued)

(d) Fair value measurements of financial instruments

At 31 December 2020 and 31 December 2019, the only financial instrument of the Group that was measured subsequent to initial recognition at fair value was financial assets at fair value through other comprehensive income, of which the fair value was classified as level 1 fair value measurement and was derived from unadjusted quoted prices available on the Stock Exchange (active market).

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

38. Reconciliation of Liabilities arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Advances from related companies	Bank borrowings	Senior notes	Interest payable (included in other payables and amounts due to related companies)	Lease liabilities	Other financial liabilities	Dividends payable to non-controlling interests	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 31 December 2018	44	1,848	2,023	27	–	28	–	3,970
Adjustment upon application of HKFRS 16	–	–	–	–	21	–	–	21
At 1 January 2019 (restated)	44	1,848	2,023	27	21	28	–	3,991
Financing cash flows	(15)	(203)	(685)	(216)	(16)	–	(24)	(1,159)
New leases entered	–	–	–	–	10	–	–	10
Finance costs	–	–	118	110	1	–	–	229
Interest payable reclassified to other payables	–	–	(105)	105	–	–	–	–
Dividends payable to non-controlling interests	–	–	–	–	–	–	24	24
Exchange adjustments	–	(6)	(7)	–	–	(1)	–	(14)
At 31 December 2019	29	1,639	1,344	26	16	27	–	3,081
Financing cash flows	**-**	**155**	**(88)**	**(156)**	**(23)**	**(40)**	**(45)**	**(197)**
New leases entered	**-**	**-**	**-**	**-**	**36**	**-**	**-**	**36**
Finance costs	**-**	**-**	**122**	**75**	**1**	**-**	**-**	**198**
Interest payable reclassified to other payables	**-**	**-**	**(108)**	**108**	**-**	**-**	**-**	**-**
Discount on buy-back of senior notes	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**	**(3)**
Loss arising on remeasurement of other financial liabilities	**-**	**-**	**-**	**-**	**-**	**13**	**-**	**13**
Dividends payable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**45**	**45**
Exchange adjustments	**(1)**	**21**	**(9)**	**-**	**-**	**-**	**-**	**11**
At 31 December 2020	**28**	**1,815**	**1,258**	**53**	**30**	**-**	**-**	**3,184**

39. Statement of Financial Position of the Company

	2020 HK$ million	2019 HK$ million
Non-current Assets		
Property, plant and equipment	**9**	3
Right-of-use assets	**14**	3
Interests in subsidiaries	**7,531**	7,505
Club memberships	**1**	1
	7,555	7,512
Current Assets		
Debtors, deposits and prepayments	**279**	257
Amounts due from subsidiaries	**34**	40
Amounts due from joint ventures	**–**	2
Restricted bank deposits	**–**	84
Bank balances, deposits and cash	**15**	20
	328	403
Current Liabilities		
Creditors and accrued charges	**423**	402
Lease liabilities	**11**	3
Amounts due to joint ventures	**82**	78
Amounts due to related companies	**403**	403
Bank borrowings	**975**	497
Senior notes	**–**	1,344
	1,894	2,727
Net Current Liabilities	**(1,566)**	(2,324)
Total Assets Less Current Liabilities	**5,989**	5,188
Capital and Reserves		
Share capital (note 27)	**374**	374
Reserves (note)	**2,194**	2,241
	2,568	2,615
Non-current Liabilities		
Bank borrowings	**151**	429
Lease liabilities	**3**	–
Amounts due to subsidiaries	**1,993**	2,086
Senior notes	**1,258**	–
Defined benefit liabilities	**16**	58
	3,421	2,573
	5,989	5,188

39. Statement of Financial Position of the Company (Continued)

Note: Movement of the Company's reserves are set out below:

	Share premium HK$ million	Contributed surplus HK$ million	Accumulated losses HK$ million	Share option reserve HK$ million	Actuarial gain and loss HK$ million	Other reserve HK$ million	Total HK$ million
At 1 January 2019	2,995	89	(984)	5	(38)	231	2,298
Loss for the year	–	–	(59)	–	–	–	(59)
Recognition of actuarial gain	–	–	–	–	15	–	15
Total comprehensive (expense) income for the year	–	–	(59)	–	15	–	(44)
Buy-back of shares	(13)	–	–	–	–	–	(13)
At 31 December 2019	2,982	89	(1,043)	5	(23)	231	2,241
Loss for the year	**–**	**–**	**(97)**	**–**	**–**	**–**	**(97)**
Recognition of actuarial gain	**–**	**–**	**–**	**–**	**50**	**–**	**50**
Total comprehensive (expense) income for the year	**–**	**–**	**(97)**	**–**	**50**	**–**	**(47)**
At 31 December 2020	**2,982**	**89**	**(1,140)**	**5**	**27**	**231**	**2,194**

40. Particulars of Principal Subsidiaries

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries at 31 December 2020 and 31 December 2019, which principally affect the results or assets of the Group. All the companies listed below were incorporated and are operating in Hong Kong except as otherwise indicated.

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Construction and building maintenance business				
Shui On Contractors Limited*	200 shares of US$1 each	85%		Investment holding
P.D. (Contractors) Limited	1,000,000 ordinary shares (HK$1,000,000)	–	69.70%	Renovation work
Pacific Extend Limited	7,510,000 ordinary shares (HK$7,510,000) 6,000 special shares (HK$6,000)	–	65.45%	Maintenance contractor
Pat Davie Limited	33,000,000 ordinary shares (HK$33,000,000) 100,000 non-voting deferred shares (HK$1,000,000) 6,800,000 non-voting deferred shares (HK$6,800,000)	–	69.70%	Interior decoration, fitting out, design and contracting
Pat Davie (Macau) Limited##	Two quotas of total face value of MOP1,000,000	–	69.70%	Interior decoration, fitting out, design and contracting
Shui On Building Contractors Limited	117,000,100 ordinary shares (HK$117,000,100) 33,000,100 non-voting deferred shares (HK$33,000,100) 50,000 non-voting deferred shares (HK$50,000,000)	–	85%	Building construction and maintenance
Shui On Construction Company Limited	100 ordinary shares (HK$100) 69,000,000 non-voting deferred shares (HK$69,000,000) 1,030,000 non-voting deferred shares (HK$103,000,000)	–	85%	Building construction
Shui On Plant and Equipment Services Limited	16,611,000 ordinary shares (HK$16,611,000) 45,389,000 non-voting deferred shares (HK$45,389,000)	–	85%	Owning and leasing of plant and machinery and structural steel construction work

40. Particulars of Principal Subsidiaries (Continued)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Property business				
New Rainbow Investments Limited*	1 share of US$1	100%	–	Investment holding
Brilliance Investments Limited*	1 share of US$1	100%	–	Investment holding
Main Zone Group Limited*	1 share of US$1	100%	–	Inactive
China Central Properties Limited^	281,193,011 shares of GBP0.01 each	57.12%	42.88%	Investment holding
Shui On China Central Properties Limited*	1 share of US$1	–	100%	Investment holding
Honest Joy Investments Limited*	100 shares of US$1 each	–	100%	Investment holding
Pacific Hill Limited	1 ordinary share (HK$1)	–	100%	Investment holding
Shui On Properties Management Services Limited	2 ordinary shares (HK$2)	–	100%	Investment holding
Shui On Properties Management Limited	2 ordinary shares (HK$2)	–	100%	Provision of property management services
SOCAM Asset Management Limited*	1 share of US$1	100%	–	Investment holding
SOCAM Asset Management (HK) Limited	1 ordinary share (HK$1)	–	100%	Provision of management services
Cosy Rich Limited*	2 shares of US$1 each	–	100%	Investment holding
Win Lead Holdings Limited*	100 shares of US$1 each	–	100%	Investment holding
Dalian Shengyuan Real Estate Consulting Co., Ltd.**+	Registered and paid up capital of RMB50,000,000	–	100%	Investment holding
北京億達房地產開發有限公司**++ (Beijing Yida Real Estate Development Co., Ltd.)	Registered and paid up capital of RMB30,000,000	–	100%	Property development
Chongqing Hui Zheng Properties Co., Ltd.**+	Registered and paid up capital of US$75,000,000	–	100%	Property development
Shenyang Hua Hui Properties Co. Ltd.**+	Registered and paid up capital of US$70,000,000	–	100%	Property development
廣州英發房地產開發有限公司**+ (Guangzhou Infotach Property Development Co., Ltd.)	Registered and paid up capital of US$64,700,000	–	100%	Property development
Beijing SOCAM Real Estate Consulting Co., Ltd.**+	Registered and paid up capital of RMB800,000	–	100%	Provision of consultancy services

40. Particulars of Principal Subsidiaries (Continued)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company Directly	Interest held by the Company Indirectly	Principal activities
Property business (Continued)				
Chengdu Xianglong Real Estate Co., Ltd.**+	Registered and paid up capital of RMB450,000,000	–	100%	Property development
江蘇九西建設發展有限公司**+ (Jiangsu Jiu Xi Development Co., Ltd.)	Registered and paid up capital of RMB382,000,000	–	100%	Property development
天津市聖偉房地產開發有限公司**+ (Summer Great (Tianjin) Co., Ltd.)	Registered and paid up capital of US$5,000,000	–	100% (note)	Property development and leasing of investment properties
嘉傑(天津)置業投資有限公司**+	Registered and paid up capital of RMB330,000,000	–	100% (note)	Property development and leasing of investment properties
Other businesses				
Lamma Rock Products Limited	100 ordinary shares (HK$1,000) 3,500,000 non-voting deferred shares (HK$35,000,000)	–	100%	Investment holding
Shui On Materials Limited*	1 share of US$1	100%	–	Investment holding
Shui On Building Materials Limited	100 ordinary shares (HK$100) 1,000,000 non-voting deferred shares (HK$1,000,000)	–	100%	Investment holding
Shui On Cement (Guizhou) Limited*	100,000 shares of US$1 each	–	100%	Investment holding
Tinsley Holdings Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Winway Holdings Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
貴州凱里瑞安水泥有限公司**+ (Guizhou Kaili Shui On Cement Co. Ltd.)	Registered and paid up capital of RMB60,000,000	–	100%	Inactive

* Incorporated in the British Virgin Islands
** Established and operated in Mainland China
*** Incorporated in Mauritius
Incorporated in Macau Special Administrative Region of the PRC
^ Incorporated in Isle of Man
+ Wholly-foreign owned enterprise
++ Limited liability company

None of the subsidiaries had any debt securities subsisting at 31 December 2020 or at any time during the year.

Note:

The share interests held by the Group in 天津市聖偉房地產開發有限公司 and 嘉傑(天津)置業投資有限公司 were increased from 90% to 100% during the year ended 31 December 2020.

41. Particulars of Principal Joint Ventures

The Directors are of the opinion that a complete list of the particulars of all joint ventures will be of excessive length and therefore the following list contains only the particulars of principal joint ventures of the Group at 31 December 2020 and 31 December 2019. All the companies listed below were incorporated and are operating in Hong Kong except otherwise indicated.

Indirect joint ventures	Issued and paid up share capital/ registered and paid up capital	Interest held by the Group	Principal activities	Note
Construction and building maintenance business				
Super Race Limited	420,000 ordinary shares (HK$3,697,000)	50%	Supply of sink units and cooking benches	1
鶴山超合預制件有限公司**@ (Heshan Chaohe Yizhi Jian Co. Ltd.)	Registered and paid up capital of US$1,284,600	50%	Manufacture of sink units and cooking benches	1
Other businesses				
The Yangtze Ventures Limited#	1,000 ordinary shares of HK$0.1 each	65.5%	Inactive	1
The Yangtze Ventures II Limited#	1,000 ordinary shares of HK$0.1 each	75.4%	Inactive	1
貴州遵義瑞安水泥有限公司**@ (Guizhou Zunyi Shui On Cement Co. Ltd.)	Registered and paid up capital of RMB92,000,000	80%	Inactive	1
Nanjing Jiangnan Cement Co., Ltd.**@	Registered and paid up capital of RMB120,000,000	25.2%	Manufacture and trading of cement	1

** Established and operated in Mainland China

Incorporated in the Cayman Islands

@ Equity joint venture

Note:

1. The Group and the other joint venturers are contractually agreed sharing of control and have rights to the net assets of these entities. The decisions about the relevant activities of these entities require unanimous consent of the Group and the other joint venturers. Accordingly, the Directors consider they are joint ventures.

The end of the consolidated financial statements.

The statement below from the Company does not form part of the consolidated financial statements:

Readers of these consolidated financial statements are strongly encouraged to read the Management Discussion and Analysis section set out in this annual report, which does not form part of the consolidated financial statements, to gain a fuller appreciation of the Group's financial results and situation in the context of its activities.

GROUP FINANCIAL SUMMARY

1. Results

	Year ended 31 December				
	2016 HK$ million	2017 HK$ million	2018 HK$ million	2019 HK$ million	**2020** **HK$ million**
Turnover	5,345	6,472	6,128	5,545	**5,670**
(Loss) profit before taxation	(1,362)	(536)	(19)	256	**270**
Taxation	6	(34)	(64)	(177)	**(131)**
(Loss) profit for the year	(1,356)	(570)	(83)	79	**139**
Attributable to:					
Owners of the Company	(1,382)	(613)	(139)	7	**52**
Non-controlling interests	26	43	56	72	**87**
	(1,356)	(570)	(83)	79	**139**

2. Assets and Liabilities

	At 31 December				
	2016 HK$ million	2017 HK$ million	2018 HK$ million	2019 HK$ million	**2020** **HK$ million**
Total assets	9,210	12,024	10,602	9,436	**9,750**
Total liabilities	(5,338)	(8,322)	(7,586)	(6,454)	**(6,399)**
	3,872	3,702	3,016	2,982	**3,351**
Equity attributable to:					
Owners of the Company	3,835	3,566	2,889	2,805	**3,132**
Non-controlling interests	37	136	127	177	**219**
	3,872	3,702	3,016	2,982	**3,351**

CORPORATE INFORMATION

BOARD

Executive Directors
Mr. Lo Hong Sui, Vincent *(Chairman)*
Mr. Lee Chun Kong, Freddy *(Chief Executive Officer)*

Non-executive Director
Ms. Lo Bo Yue, Stephanie

Independent Non-executive Directors
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. William Timothy Addison

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

FINANCE COMMITTEE

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

INVESTMENT COMMITTEE

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

EXECUTIVE COMMITTEE

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

COMPANY SECRETARY

Ms. Chan Yeuk Ho, Karen

AUDITOR

Deloitte Touche Tohmatsu
(Registered Public Interest Entity Auditor)

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

34th Floor, Shui On Centre
6-8 Harbour Road, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

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

STOCK CODES

Shares: 983
Senior Notes: 40137

WEBSITE

www.socam.com

SOCAM DEVELOPMENT LIMITED

瑞安建業有限公司

(Incorporated in Bermuda with limited liability)

www.socam.com