



瑞安建業
SOCAM DEVELOPMENT

Stock Code 股份代號：983

BUILDING A BETTER TOMORROW 建構美好明天

Interim Report 中期報告 2022

CORPORATE
GOVERNANCE
企業管治

SUSTAINABILITY
可持續發展

SOCIAL IMPACT
社會效益

About SOCAM

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

Better Tomorrow 2021 – 2030

The “Better Tomorrow 2021-2030” blueprint, setting the sustainability vision and target for the next ten years, is an important step for the Company as it moves to create a positive impact on the economy, environment and the community, and putting sustainability as part of SOCAM’s long-term outlook.

Corporate Values

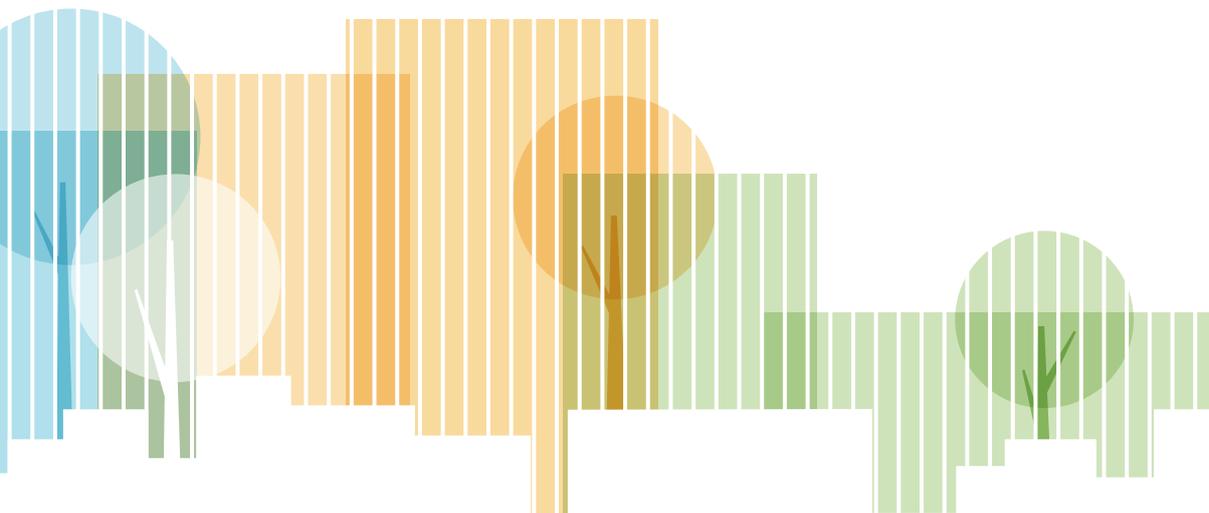
SOCAM’s corporate culture is based on the Shui On Group’s adherence to a comprehensive set of corporate governance principles, and our commitment to integrity, quality, innovation and excellence.

+ **Integrity**

+ **Quality**

+ **Innovation**

+ **Excellence**





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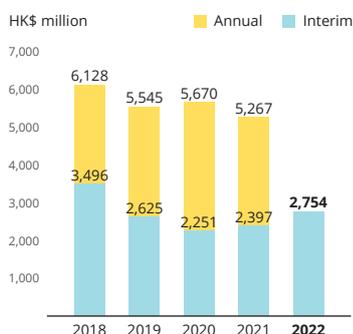
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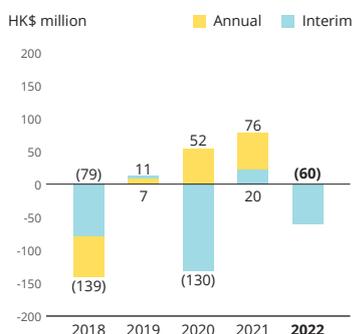
Financial Highlights

HK\$ million	Six months ended 30 June				
	2022	2021	2020	2019	2018
Turnover					
SOCAM and subsidiaries	2,754	2,397	2,251	2,625	3,496
Share of joint ventures	1	5	4	13	17
Total	2,755	2,402	2,255	2,638	3,513
Profit (loss) attributable to shareholders	(60)	20	(130)	11	(79)
Basic earnings (loss) per share	(HK\$0.16)	HK\$0.05	(HK\$0.35)	HK\$0.03	(HK\$0.16)
	At 30 June	At 31 December			
Total assets (HK\$ billion)	9.3	9.6	9.8	9.4	10.6
Net assets (HK\$ billion)	3.0	3.3	3.1	2.8	2.9
Net asset value per share (HK\$)	8.01	8.72	8.37	7.49	7.52
Net gearing	45.9%	46.9%	50.8%	54.2%	84.9%

Turnover

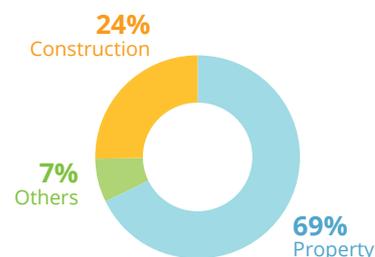


Profit (Loss) Attributable to Shareholders of the Company

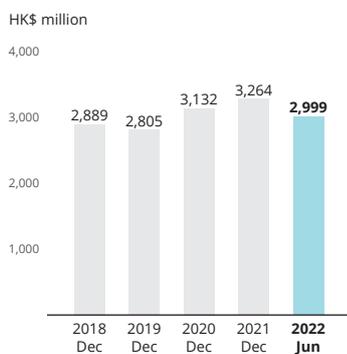


Assets Employed

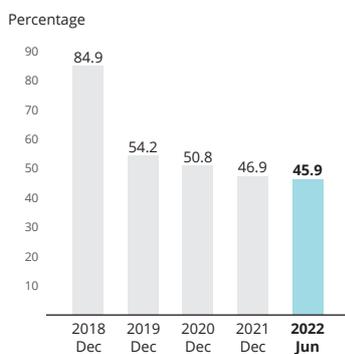
At 30 June 2022



Equity Attributable to Shareholders of the Company

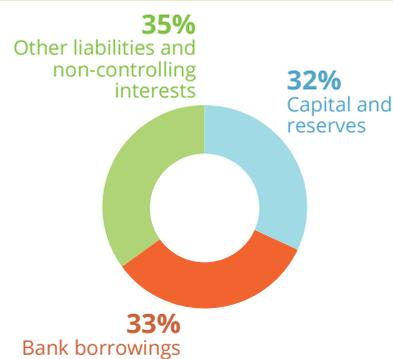


Net Gearing



Capital and Liabilities

At 30 June 2022



Strengthening sustainability of our business and operations is paramount. The Group continues to equip itself to embrace farsighted approaches to construction, and make sustainability an integral part of our corporate and business development.





Management Discussion and Analysis

SOCAM has a comprehensive construction value chain. Lately, we have ramped up efforts to develop stronger capabilities and enhance productivity through creating greater synergies among our construction teams.

The highly-contagious Omicron variant disrupted the economic recovery of the Group's principal markets during the interim period. China's GDP growth eased to 4.8% year-on-year (YoY) in the first quarter, and slowed sharply to a tepid 0.4% YoY in the second quarter, posting a 2.5% YoY expansion through the first half, against the 8.1% growth in 2021. Hong Kong's GDP contracted by 3.9% and 1.3% YoY in real terms in the first and second quarters respectively. Against this backdrop, SOCAM achieved continuous improvement in its business performance as the Company sharpens focus on its core competencies and ushers in a tide of market opportunities.



+

**The curvy ceiling in the Hong Kong
Palace Museum**

SOCAM's construction business in Hong Kong entered this year with strong progress on existing projects. Capitalising on its strong order book and proven execution capabilities, the construction division reported a 41% profit growth on a 18% increase in turnover, YoY, for this interim period. In addition, we expanded our order book further amid intensified market competition, and made wider use of construction innovations and technologies to enhance competitiveness. Our Building Information Modelling (BIM) and Modular Integrated Construction (MiC) adoption gaining in sophistication reaffirms the Group's commitment to business sustainability and productivity.

The recovery of the occupancies and rental income streams of our four shopping malls in Mainland China was however substantially affected during the period by the most severe COVID-19 wave since 2020, which dampened consumer sentiment and brought about a sharp fall in customer footfall. Despite this setback, we did well in cost management and continue with our ongoing asset enhancement initiatives in an attempt to offer experiential retail experiences exceeding evolving consumer expectations, which will enable our rental properties to achieve sustainable growth in value over time.

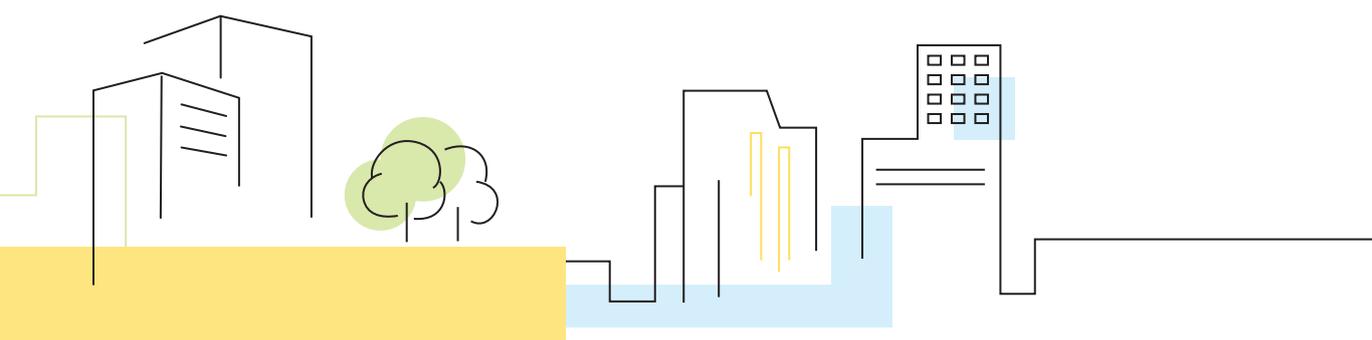
The Group reported net loss attributable to shareholders of HK\$60 million for the first six months of 2022, as compared to the net profit attributable to shareholders of HK\$20 million for the corresponding period in 2021. The loss for this interim period included the net foreign exchange loss of HK\$122 million attributable to the 4.6% depreciation of the Renminbi against the Hong Kong dollar on the Group's property assets during the current interim period, while net foreign exchange gain of HK\$29 million was recognised in the prior interim period. The Group's turnover for the first half of 2022 increased by 15%, against the same period in 2021, to HK\$2.8 billion.

Market Environment

After a strong start in early 2022, China's economy faced the worst COVID resurgence since the height of the pandemic in early 2020. Full or partial lockdowns in a number of cities, including Shanghai and Beijing, across the country from March to May under the Central Government's dynamic zero-COVID policy to curb the soaring infections dampened activities dramatically. The Mainland economy however managed to secure a hard-earned positive growth, with exports and imports upsurging in a harsh external environment and industrial production recovering steadily, while employment improved slightly, household income rose stably and consumer prices went up mildly. Yet, consumption remained subdued, with retail sales suffering a moderate decline, highlighting the heavy toll on the consumer sentiment from the widespread lockdowns.

Following a visible recovery in 2021, the Hong Kong economy faced immense pressure domestically, with the consumption and investment activities in the first quarter of this year hard hit by the fifth wave of the COVID-19 outbreak and resultant anti-epidemic measures. Externally, the worsened global demand and epidemic-induced disruptions to cross-border cargo flows weighed significantly on exports.

The HKSAR Government is committed to increasing the supply of public housing and improving the public health infrastructure to address these pressing issues of the community. In addition, it plans to take forward various infrastructure projects, including the Northern Metropolis Development Strategy, to enhance Hong Kong's competitiveness and build a liveable city. Over the next ten years, total construction expenditure in Hong Kong is forecast to reach HK\$300 billion per annum, which will bring unparalleled business opportunities to the construction industry.



Corporate Initiatives and Developments

Building of Transitional Housing

As a short-term initiative to address the deep-rooted housing problem in Hong Kong, the HKSAR Government supports and facilitates the provision of transitional housing to help alleviate the hardship imminently faced by residents awaiting allocation of public rental housing and other inadequately housed families and individuals. Last year, it proposed to raise the overall supply target to 20,000 units in the coming few years. In May 2022, the Legislative Council approved the increase of the government's funding commitment to HK\$11.6 billion to support non-government organisations in providing transitional housing.

SOCAM's construction arm, leveraging its design-and-build capabilities and experience, has a distinct competitive edge in the construction of transitional housing units, and is well-equipped to tap into this market segment. In July 2022, Shui On Building Contractors Limited (SOBC) secured the contract for the design and build of transitional housing at Kam Tin, Yuen Long from the New Territories Association of Societies (Community Services) Foundation. In this project, MiC construction method will be fully adopted, which will greatly shorten the construction duration to 13 months, and elevate production efficiency and worksite safety, in addition to the profound environmental benefits coming along.

Business Expansion and Synergies

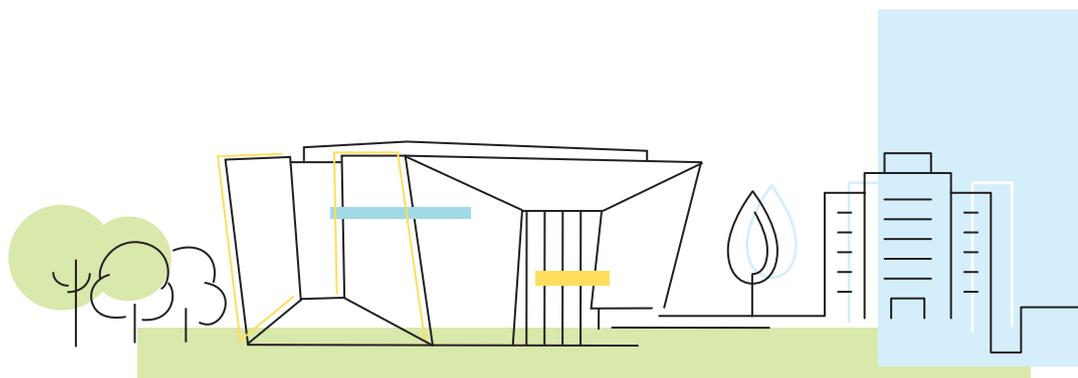
In the face of the intensifying market competition in the public sector construction works, the Group's construction business has taken forward a number of initiatives to expand business scope and sharpen its competitiveness, thus enabling it to stay at the forefront of the industry.

As MiC technology is gaining wider application in the government and institutional construction contracts, SOCAM has been looking for suitable manufacturers of MiC units in the Greater Bay Area for business co-operation to improve quality and safety and reduce cost. In addition, SOBC is seeking an upgrade of its 'Road and Drainage' licence under the Development Bureau so as to tender for major infrastructure maintenance works term contracts for roads, water and drainage in Hong Kong. Pacific Extend Limited (PEL), in partnership with a renowned industry specialist, has expanded into the electrical and mechanical (E&M) services sector, targeting the E&M works for the major hospital redevelopment projects.

SOCAM has a comprehensive construction value chain, with SOBC, Shui On Construction Company Limited (SOC), PEL and Pat Davie Limited (PDL) specialising in respective areas of construction works for major clients in the public, institutional and corporate sectors. Lately, we have ramped up efforts to develop stronger capabilities and enhance productivity through creating greater synergies among our construction teams. The functions of our Zhuhai office have also been expanded to provide design and technical services to the entire construction operations in Hong Kong and Macau.

Redemption of Senior Notes

In January 2022, SOCAM redeemed all the outstanding 6.25% senior notes due 2022, upon maturity, in an aggregate principal amount of US\$157.4 million, which was primarily funded by the 3-year term loan facility, up to a principal amount of HK\$1,300 million, made available to the Company by a commercial bank in Hong Kong.





Construction

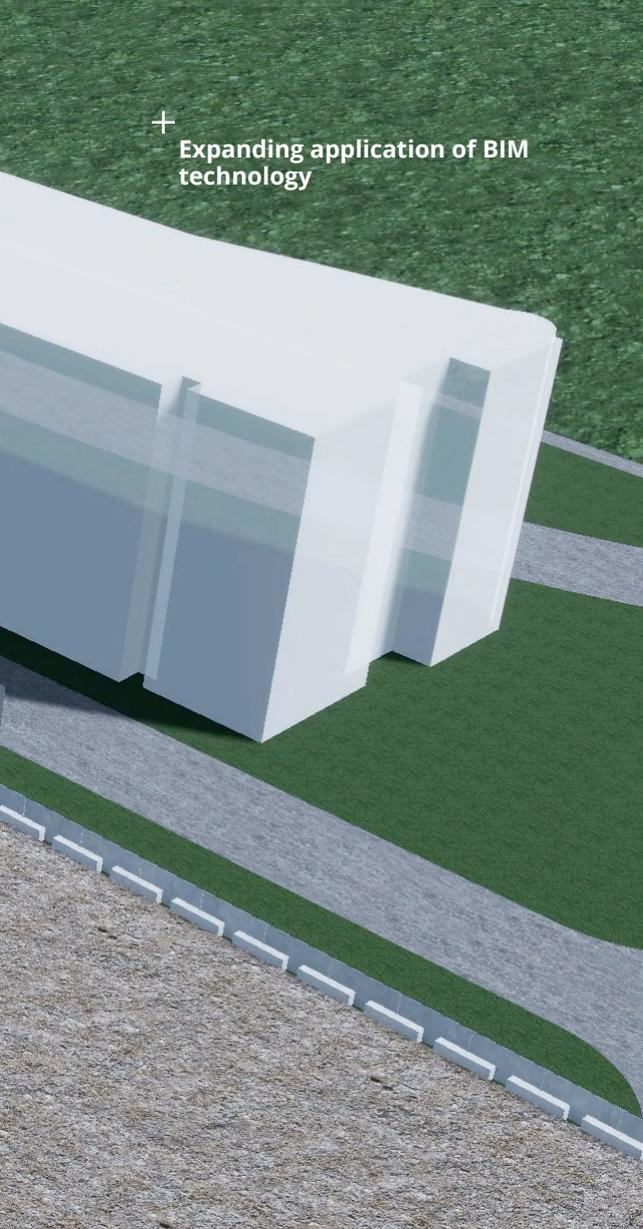
The construction business in Hong Kong entered this year with strong progress on existing projects. We expanded our order book further amid intensified market competition, and made wider use of construction innovations and technologies to enhance competitiveness.

Market Review

Despite the contraction of the Hong Kong economy, construction activity expanded further, after a mild rebound in 2021. Total expenditure on building and construction increased by 1.1% and 5.2% YoY in real terms in the first and second quarters of 2022 respectively, while the public sector sustained solid growth and the private sector continued to shrink. On the other hand, the labour market came under severe pressure. The construction unemployment rate rose notably.

Running a considerable budget deficit for 2022-23, the HKSAR Government remains fully committed to its long-term housing strategy, coupled with the supply of transitional housing, and the two 10-year hospital development plans to address the critical housing and healthcare issues of the community. The Group's construction business is well positioned to benefit from the tremendous tendering opportunities and the growth potential arising from these two market segments in the coming years.

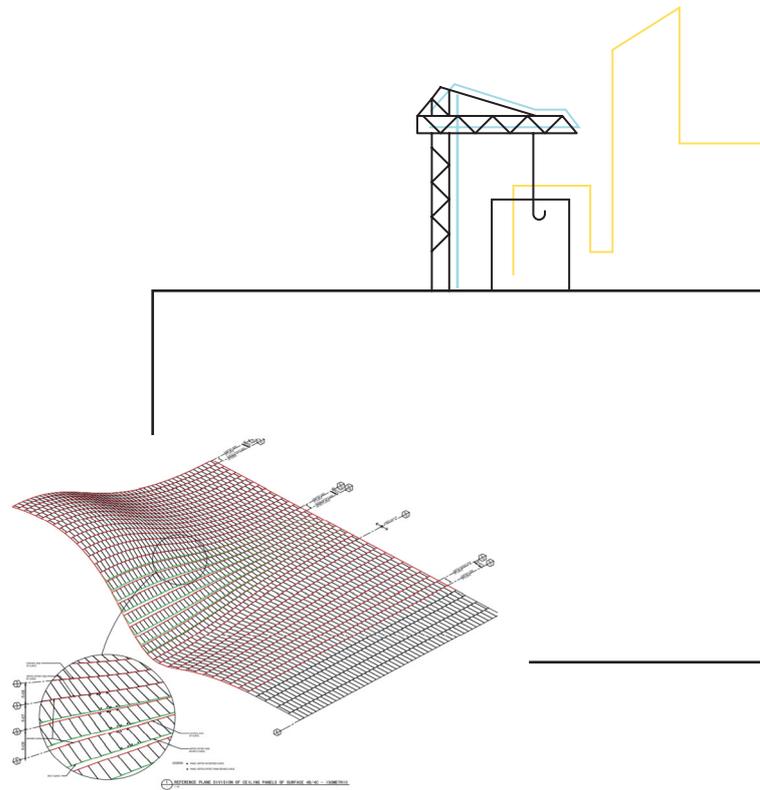
+ Expanding application of BIM technology



Construction Technology

SOCAM continues to accelerate the upgrade of its information technology infrastructure and digitalisation, while making wider application of new technologies in its construction projects, to raise operational efficiency and enhance service quality and worksite safety.

In the purpose-built multi-welfare services complex at Kwu Tung North project, the SOC-SOBC joint venture (Shui On Joint Venture) adopted the MiC technology in full scale. This project saw the completion of the installation of 1,764 freestanding integrated modules in February 2022, and is scheduled for completion towards the year end. The MiC technology has not only minimised the impact on environment, but also greatly



shortened the construction period to 28 months, enhanced safety performance and cut down on costs. To expedite housing supply, the HKSAR Government plans to introduce more concessionary measures to encourage the adoption of MiC technology in construction.

The Hong Kong Palace Museum, opened to the public in July 2022, embraces an intelligent combination of smart technologies and human touch in its construction. PDL finished the fitting-out works of this project, which applied BIM technology comprehensively at all stages, from architectural design to construction and operation.

Heading towards "Construction 2.0", we are also developing our capabilities in the Design for Manufacture and Assembly, Prefabricated Prefinished Volumetric Construction and 5G-connected artificial intelligence (AI), as well as the use of robotic machines in the construction processes. Through adopting these advanced technologies, we stand to benefit from the elevated environmental impact, production efficiency and worksite safety, while easing the undue pressure due to the shortage of skillful workers.

Safety and Recognitions

The safety and wellbeing of our people are an indispensable part of our business. SOCAM made use of new technologies, including AI cameras, face recognition technology, smart helmet system and safety management system at construction sites, to protect the health and safety of our employees and workers at all times.

Our tireless efforts to site safety have also earned us industry recognitions. During this interim period, the term contract for the design and construction of minor building and civil engineering works awarded by CLP Power Hong Kong Limited (CLP) to SOBC garnered the Gold Award and Outstanding Performance in Work-at-height Safety Prize, and SOBC's 2020-2023 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 Hong Kong Housing Authority (HKHA), clinched the Bronze Award, both in Minor Renovation and Maintenance Works in the Construction Industry Safety Award Scheme 2021/2022 organised by the Labour Department.

Operating Performance

The Group's construction business achieved remarkable results. It reported a profit of HK\$302 million for the first six months of 2022, compared with HK\$214 million for the corresponding period in 2021. Turnover for the first half of 2022 soared to HK\$2.6 billion, from HK\$2.2 billion for the same period in 2021. Both building



+ **The Drainage Services Department Office Building is scheduled for completion in 2025**

construction and maintenance businesses recorded an upsurge in turnover. Pre-tax profit margin rose to 11.6% for the current interim period, from 9.7% for the prior interim period, largely attributable to the increased contributions from the completed projects.

	1H 2022	1H 2021
Profit	HK\$302 million	HK\$214 million
Turnover	HK\$2.6 billion	HK\$2.2 billion
Profit margin	11.6%	9.7%

New Contracts Awarded and Workload

	1H 2022	1H 2021
New contracts awarded	HK\$3.0 billion	HK\$2.2 billion

	30 June 2022	31 December 2021
Gross value of contracts on hand	HK\$24.9 billion	HK\$23.8 billion
Gross value of contracts to be completed	HK\$15.2 billion	HK\$15.0 billion

Amidst a hyper-competitive tendering environment, the Group has been able to sustain a strong order book. During the first half, the Group successfully bid for new contracts in Hong Kong and Macau worth a total of HK\$3.0 billion, as compared with the HK\$2.2 billion awarded in the same period of 2021. More details of the new contracts secured will be provided under the respective companies below.

As at 30 June 2022, the gross value of contracts on hand was HK\$24.9 billion and the value of outstanding contracts to be completed was HK\$15.2 billion, compared with HK\$23.8 billion and HK\$15.0 billion respectively as at 31 December 2021. The strong order book will help produce healthy growth in turnover, profit and cash flow in the coming few years.

The Group's construction projects continued to progress well and on schedule. Details of the major construction projects in progress as well as those completed during this interim period will be provided under the respective companies below.

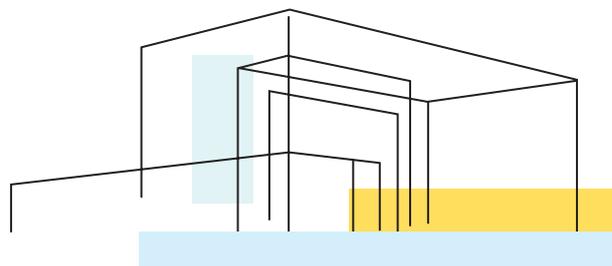
Shui On Building Contractors Limited and Pacific Extend Limited

SOBC and PEL secured new contracts in a total amount of HK\$2,604 million during the first six months of 2022, which included:

- construction of a public housing development at Sheung Shui Areas 4 and 30 Site 2 Phase 2 and Footbridge Works at Ching Hong Road North Phase 3 for the HKHA (HK\$1,329 million), which will make available 1,556 public rental housing units, retail space and ancillary facilities, when completed in 2025; and
- construction of a public housing development at Sheung Shui Areas 4 and 30 Site 1 Phase 1 for the HKHA (HK\$1,243 million), which will provide 1,463 public rental housing units, retail space, kindergarten, residential care home for the elderly and ancillary facilities upon completion in 2025.

During the period, apart from the new construction and maintenance contracts, SOBC and PEL made progress on their existing contracts, including:

- the construction of a public housing development at Anderson Road Quarry Site RS-1 for the HKHA;
- the term contracts for maintenance, improvement and vacant flat refurbishment works for public housing estates in various districts for the HKHA;
- the term contract for minor works on buildings and lands and other properties for which the Architectural Services Department (ASD) is responsible for the whole territory of Hong Kong;
- the term contracts for alterations, additions, maintenance and repair works for the Education Bureau (EDB);
- the architectural and building works term contract for MTR Corporation Limited;
- the term contracts for design and construction of minor building and civil engineering works as well as cable trenching and laying works for CLP; and
- various minor works term contracts for the Hospital Authority (HA), the EDB and the Hong Kong Jockey Club.



SOBC and PEL completed the following major construction and maintenance contracts during the period:

- the construction of a public rental housing development at Chai Wan Road for the HKHA, providing 828 housing units and ancillary facilities;
- the term contract for minor works for addition, alteration and improvement works of buildings and lands and other properties for which the EDB is responsible in Hong Kong;
- the term contract for minor works for Kowloon West Cluster for the HA; and
- the term contract for minor works at various premises in Shatin Racecourse for the Hong Kong Jockey Club.

After the interim period end, SOBC secured the following major construction contracts:

- design and build of transitional housing at Kam Tin, Yuen Long from the New Territories Association of Societies (Community Services) Foundation (HK\$519 million), which will provide 1,020 housing units and amenity facilities upon completion in August 2023; and
- construction of a public housing development at Anderson Road Quarry Sites R2-6 and R2-7 for the HKHA (HK\$1,408 million), which will make available 1,410 public rental housing units and car parking spaces, with the adoption of MiC technology, when completed in 2025.

Shui On Construction Company Limited

During this interim period, Shui On Joint Venture progressed well with the several design and construction contracts, including the redevelopment of Kwai Chung Hospital (Phase 2) for the HA, and provision of a purpose-built multi-welfare services complex for the elderly at Kwu Tung North and the Drainage Services Department Building at the Cheung Sha Wan Sewage Pumping Station for the ASD.

The ASD and the HA continued to release a number of construction contracts for tender. SOC, leveraging the Group's competency in design and build, remains confident to capture the exciting tender opportunities, despite the market coming under intense competitive pressure.

In January 2022, Shui On Joint Venture secured the HK\$860 million contract from the ASD for the design and construction of Fire Station and Ambulance Depot with Departmental Accommodations in Lok Ma Chau Loop. This contract was subsequently terminated by the ASD as the project site was returned to the HKSAR Government for the construction of an emergency hospital and community isolation and treatment facilities. Shui On Joint Venture was in discussion with the ASD on the contractual compensation.

Pat Davie Limited

In the first six months of 2022, PDL secured a total of 15 new contracts with an aggregate value of HK\$349 million primarily in the commercial and institutional sectors in Hong Kong, and maintained a strong order book.

The major contracts secured during this interim period included:

- Fitting-out works on functional rooms, common areas and acoustic sensitive areas in the Hostel and Academic Building Complex for Hong Kong Baptist University;
- Supply and installation of metal cladding and ceiling panels for the proposed office development in Central for the Henderson Land Group;
- Reconfiguration of the Airfield Ground Maintenance Building at Hong Kong International Airport;

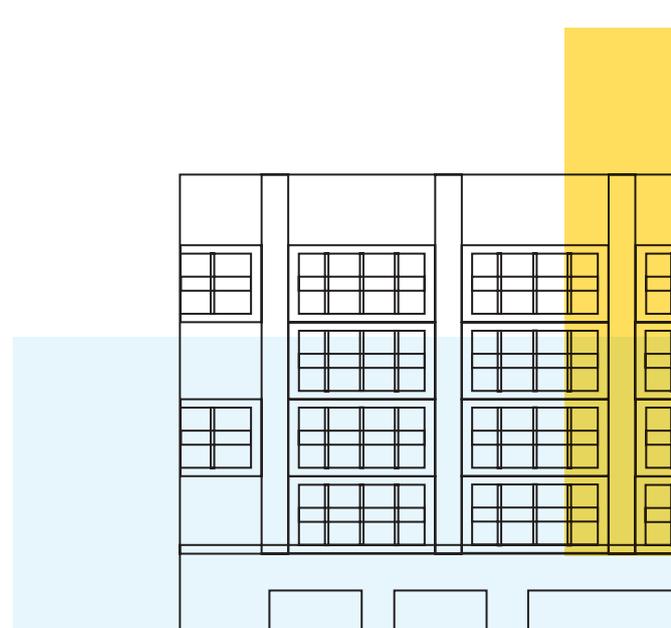
- Design, supply, fabrication and installation of aluminum cladding and grating system at Check-in Islands in Hong Kong International Airport Terminal 2; and
- Rectification works on the corridor pipe shaft for North Tower Tier 1 and 3, and South Tower Tier 1 at MGM Cotai, Macau.

Despite a challenging business environment, PDL has made good progress with the projects it secured, and managed to deliver them on schedule and within budget. Contracts worth a total of HK\$377 million and HK\$27 million were completed in Hong Kong and Macau respectively during the period. Notable ones included removal of asbestos and services replacement for refurbishment of the Regent Hotel, supply and installation of protective barriers at Festival Walk, and fitting-out works at Hong Kong Science Park and Hang Seng Bank Headquarters.

Smart Facilities Management Services

NetZo Limited, our smart facilities management (SFM) arm, has partnered with CLP, a renowned energy and sustainability expert, and technology firms in the provision of SFM solutions and services to clients. We are also pursuing business cooperation opportunities with leading companies in providing sustainable solutions to facilities upgrade and improvement.

During this interim period, SOCAM continued to implement sustainability facilities improvements for its shopping malls in the Mainland. The provision of the smart facilities to the projects of Shui On Land in Wuhan and Shanghai was almost completed. SOCAM is currently in negotiations with hospitals, schools and corporations in Hong Kong and several clients in the Greater Bay Area for the provision of SFM solutions.



+ Creating green community mall experience



Property

The Group's shopping malls will seek to capitalise on our ongoing asset enhancement initiatives to offer consumers experiential retail experience and immersive excitement, boost customer footfall and improve rental performance.

Market Review

In Mainland China, retail sales of consumer goods edged down by 0.7% YoY to RMB21.0 trillion in the first six months of 2022, reflecting the direct adverse impact on domestic consumption arising from the lockdown and tight mobility restrictions in a number of cities across the country during March-May in a move to stamp out COVID-19 transmission. Online retail sales for the first half of 2022, however, sustained a slight increase of 3.1% YoY to reach RMB6.3 trillion.

As the pandemic entered its third year, the digital transformation of the Mainland's economy is moving much faster, thus posing particular challenges to the retail and commercial leasing sector. Chinese consumers are increasingly embracing online habits in their everyday life situations, while businesses strive to make greater use of digital tools and channels to increase customer acquisitions, forge seamless connections and create digital customer experience. These are driving the rapid growth of a "stay-at-home economy". Both the consumer and business attitudes and behaviours are undergoing transformation amid the evolution of the Mainland's digital landscape. To respond to the rapidly evolving new normal, the Group has accelerated its asset enhancement initiatives, and adjusted the leasing and marketing strategies in its malls in Chengdu, Chongqing, Shenyang and Tianjin.



Building stronger ties with tenants

Operating Performance

Our property business has gone through an extremely challenging first half of 2022, with the most severe COVID-19 wave in two years, coupled with the lockdowns and tough mobility restrictions across the country from March to May. The consumer sentiment and business activities were hammered, which triggered a sharp fall in customer footfall and closure of malls and shops for varying periods of time. The Group saw a decrease in rental income in general, and drop in occupancy rates of its rental properties in Chengdu and Tianjin.

The Group's property business posted a loss of HK\$36 million for the first six months of 2022, compared with the loss of HK\$50 million for the same period in 2021, which included valuation loss, net of deferred tax provision, of its property portfolio of HK\$18 million and HK\$53 million respectively.

Total turnover for the first half of 2022 amounted to HK\$146 million, comprising sales revenue of HK\$26 million, gross leasing income of HK\$49 million and Hong Kong property management services income of HK\$71 million, which was 23% lower than the total turnover of HK\$190 million for the corresponding period in 2021.

Property Portfolio

As of 30 June 2022, the Group owned six projects in the Mainland, which are summarised in the table below. The Group's property portfolio comprised a total gross floor area (GFA) of 400,200 square metres, of which 383,300 square metres GFA were completed properties, and 16,900 square metres GFA of the Nanjing Scenic Villa project are currently under development.

Location	Project	Villa (sq. m.)	SOHO/Office (sq. m.)	Retail (sq. m.)	Carparks & Others (sq. m.)	Total GFA* (sq. m.)
Chengdu	Centropolitan	-	33,300	43,000	86,000	162,300
Chongqing	Creative Concepts Center	-	-	21,000	9,900	30,900
Guangzhou	Parc Oasis	-	-	-	4,400	4,400
Nanjing	Scenic Villa	10,900	-	-	7,800	18,700
Shenyang	Shenyang Project Phase I	-	1,600	62,200	25,500	89,300
Tianjin	Veneto Phase 1	-	-	63,600	-	63,600
	Veneto Phase 2	-	1,600	29,400	-	31,000
Total		10,900	36,500	219,200	133,600	400,200

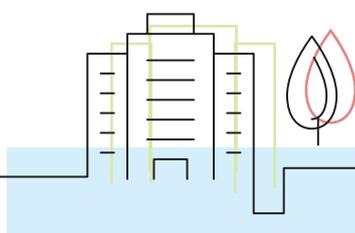
* The GFA shown excludes sold and delivered areas.

Rental Performance

The leasing market was challenging in the first half of the year due to the pandemic. SOCAM owns and operates four shopping malls and an office building in the Mainland, with a combined GFA of 223,100 square metres. During the first six months of 2022, total gross rental income, before deduction of applicable taxes, from the Group's retail and office properties in the Mainland amounted to RMB26 million, down 19% from RMB32 million for the corresponding period in 2021, as the mall business and operations were battered by the COVID-19 outbreaks during March-May 2022, and rental concessions totalling RMB1.2 million were offered to the affected tenants.



+ Offering greater range of family-friendly events



+ Experiential retail experience and immersive excitement



As part of the anti-epidemic measures taken by the local governments, Tianjin Veneto Phase 1 was shut down for 16 days for mandatory mass COVID testing between January and June, while the shops in Shenyang Tiandi were closed for one to three months, depending on the business types. In Chengdu Centropolitan, tenants engaged in education-related business closed down their outlets temporarily for a total of 35 days during February-April. Certain anchor tenants in our malls failed to survive the prolonged shutdown and ‘double reduction’ crackdown, resulting in early termination of tenancies.

Occupancy Rates of Retail and Office Properties in Mainland China:

Project	Total GFA (sq.m.)	Occupancy Rate	
		30 June 2022	31 December 2021
Chengdu Centropolitan			
Retail	43,000	69%	77%
Office	33,300	77%	79%
Chongqing Creative Concepts Center			
Retail	21,000	85%	85%
Shenyang Tiandi			
Retail	62,200	93%	91%
Tianjin Veneto Phase 1			
Retail	63,600	76%	81%

Amidst the difficult and challenging market conditions, we have built stronger and lasting ties with our tenants and was able to achieve relatively stable occupancies in most of our shopping malls during the period. In Chengdu Centropolitan, the negotiations with the replacement cinema operator were significantly delayed by the epidemic, and the lease agreement was signed in August, lifting the mall occupancy by approximately 12.5%.

The epidemic situation was largely brought under control in June. The Group’s shopping malls saw gradual increase in customer footfalls and slight revival of consumer sentiment, and our negotiations with potential tenants met with satisfactory progress lately.

Asset Enhancement

We continued with our commitment to re-energise our malls’ retail, dining and entertainment atmosphere, and enhance the component attractions of the modern, environmentally friendly mall experience in an attempt to meet evolving consumer expectation and trends. We have also installed smart facilities and applied anti-virus technology in our shopping malls with a view to improving the health and wellbeing of our tenants and customers, while raising energy efficiency and reducing operating cost.

We are making good progress with our transformation from local community malls to ones offering greater range of family-friendly and lifestyle elements, such as experience platforms and recreational spaces for children. Dynamic promotional events and fun activities, whenever permitted under the stringent anti-epidemic control measures, were organised to boost retail sales and increase customer loyalty. A feeling of excitement and expectation will drive footfall that leads to increase in our rental income which, in turn, is an imperative of realising the potential value of our malls.

Property Sales

In the first six months of 2022, the Group recognised revenue of HK\$26 million and loss of HK\$2 million from property sales, which were mainly contributed by the Nanjing Scenic Villa project, as compared with HK\$68 million revenue and HK\$11 million profit for the corresponding period in 2021.

During this interim period, the Group completed the sales of the last two villas, with a total GFA of 822 square metres, and three car parking spaces at Nanjing Scenic Villa, and recognised sales revenue totalling RMB20 million. As at 30 June 2022, all the 344 villas, with a total GFA of 96,301 square metres, and 97 car parking spaces were sold, with 144 car parking spaces remaining unsold.

The resurging waves of COVID-19 continued to hit the investment sentiment for commercial properties generally. In Phase 2 of Tianjin Veneto, the Group saw sluggish sales of the retail shops and SOHO units during the period. Up to 30 June 2022, out of a total of 486 retail shops and 184 SOHO units, sales of 196 retail shops and 166 SOHO units with respective total GFA of 7,182 square metres and 11,254 square metres were completed, since the sales launch in stages from 2019.

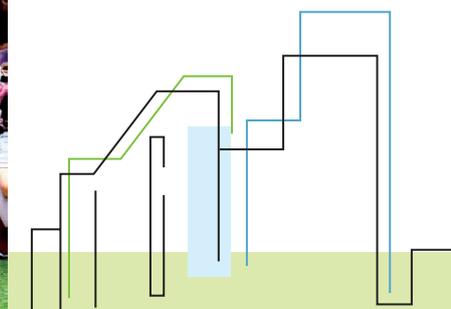
Property Management

During the first half of this year, Pacific Extend Properties Management Limited (PEPM) executed well on its various property management contracts as well as the 3-year facility management services contract for the Civil Aviation Department. In addition, it secured a 3-year contract from the Urban Renewal Authority for the provision of property management services to a residential building in Yaumatei, with a contract sum of HK\$14.9 million.

Riding on its expertise and experience in property management and working in collaboration with other business operations of the Group, PEPM recorded HK\$71 million turnover for the first half of 2022 and contributed stable income and cash flow to the Group.



+ Re-energising entertainment atmosphere



Outlook

The expanding public housing construction market will offer tremendous business opportunities to SOCAM in the coming years. To stay competitive, SOCAM has been stepping up efforts to raise construction productivity and enhance project delivery through tightening supply-chain management.

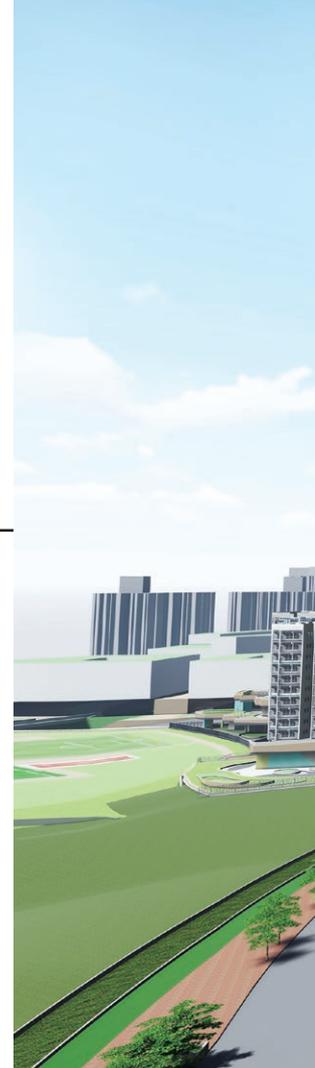
The outlook for the world economy worsens as global recession looms. Entering 2022, the fragile economic recovery from the pandemic was significantly hammered by the Russia-Ukraine war, persistent supply-chain disruptions, and surging inflation and financial vulnerabilities. The evolving China-US relation and rising geopolitical risks are adding to uncertainty.

China economy navigates through a tougher than ever environment which sees the global economy mired in a series of challenges, and managed to secure positive growth in the second quarter, underscoring its economic resilience. Notwithstanding that proper normalisation allows economic recovery in China to gather pace from June, challenges abound for consumers and businesses. The GDP growth this year looks set to lag the Central Government's target of around 5.5%. The fundamentals of China's long-term economic development have however not changed. Despite the headwinds, economic recovery on the Mainland is expected to continue.

The notable deterioration of the global economy will continue to weigh on Hong Kong's exports performance, and prospective rising interest rates will dampen investment sentiment. As the local epidemic situation generally improves, economic activities are likely to revive in the coming months, with the uplifting or relaxation of local epidemic measures

a determining factor. The HK\$30 billion phase II consumption vouchers disbursed in batches by the HKSAR Government from August will help boost local consumption. Earlier this month, the HKSAR Government revised the GDP growth forecast for this year downward further to -0.5 – 0.5%, from the 1 – 2% revised in May. As long as Hong Kong actively dovetails itself with the country's development strategies, the economic outlook for Hong Kong remains promising in the medium to long term.

The Hong Kong's new administration is fully committed to tackling the pressing housing issue of the community, and has established inter-departmental groups to coordinate work relating to land and housing. It is expected that concrete measures will be formulated shortly to, among others, increase the supply of public housing and expedite the public housing construction works, with further application of MiC and other technologies. The expanding public housing construction market, and hopefully with the resumption of PSPS which SOCAM has extensive experience and excellent track record, coupled with the HK\$500 billion hospital development plans and the potential Northern Metropolis Development Strategy, will offer tremendous business opportunities to SOCAM in the coming years. While all these remain the key focus for SOCAM, we have also been exploring new business initiatives that will best exploit our competitive edge.





+

Rendering of public housing development project at Anderson Road

We have had an extremely challenging start to 2022, and the market environment is predicted to become increasingly uncertain. To stay competitive, SOCAM has been stepping up efforts to raise construction productivity and enhance project delivery through tightening supply-chain management, and expand our construction workforce by attracting younger talents, strengthen learning and development, and increase investment in nurturing our people.

At the forefront of construction technology, SOCAM begins to reap the benefits of integrated digitalisation and technology, which offer greater assurance in the pathway to building completion, while reducing costs and waste considerably. Construction technology has become invaluable in the highly-competitive market environment, particularly as an interface with government and institutional clients as well as in the entire construction process. The Group's advances in technology adoption ally closely to three principles: Innovation, Professionalism and Revitalisation, which are also the key pillars of the Construction 2.0 advocated by the HKSAR Government.

We are hopeful that China's consumer market will recover from the fallout of epidemic and gather growth momentum in the second half, fuelled by a slew of stimulus measures to spur consumption taking effect. The Group's shopping malls will seek to capitalise on our ongoing asset enhancement initiatives to offer consumers experiential retail experience and immersive excitement, boost customer footfall and improve rental performance. We shall push forward with the operational rationalisation, bring in suitable smart facilities and exploit cost saving opportunities in all respects, thus enabling our assets to achieve sustainable growth in value, and delivering the best possible returns in the longer run.

Looking ahead, strengthening sustainability of our business and operations is paramount. Through execution of the strategy under the "Better Tomorrow 2021-2030", the Group is integrating sustainability into all aspects of its business operations. The Group will continue to equip ourselves to embrace farsighted approaches to construction, and make sustainability an integral part of our corporate and business development.

+ The transitional housing project in Kam Tin will adopt MiC

Financial Review



Interim Results

The Group's results for the six months ended 30 June 2022 recorded a loss of HK\$60 million on a turnover of HK\$2,754 million, compared with the profit of

HK\$20 million and turnover of HK\$2,397 million for the corresponding period last year.

An analysis of the total turnover is as follows:

	Six months ended 30 June 2022 HK\$ million	Six months ended 30 June 2021 HK\$ million
Turnover		
SOCAM and subsidiaries		
Construction	2,608	2,207
Mainland property	75	124
Hong Kong property management	71	66
Total	2,754	2,397
Joint ventures		
Others	1	5
Total	2,755	2,402

The construction business reported a 18% increase in turnover for the first half of this year as the redevelopment project of Kwai Chung Hospital (Phase 2) and the construction project of a multi-welfare service complex for the elderly at Kwu Tung North, worth approximately HK\$6.7 billion in total, progress. Whilst revenue from the interior fitting-out contracts was contracted amidst the slowdown of the fit-out and refurbishment markets in both Hong Kong and Macau.

Revenue from the property business decreased to HK\$75 million, from HK\$124 million in the prior interim period, since much less sales revenue was recognised for Phase 2 of the Tianjin Veneto project, which commenced handover of its retail shops and SOHO units since December 2020.

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

	Six months ended 30 June 2022 HK\$ million	Six months ended 30 June 2021 HK\$ million
Construction	302	214
Property		
(Loss) profit from property sales	(2)	11
Net rental income	9	14
Fair value changes on investment properties, net of deferred tax provision	(18)	(53)
Hong Kong property management	11	5
Net operating expenses and others	(36)	(27)
	(36)	(50)
Net finance costs		
Senior notes	(5)	(44)
Bank and other borrowings	(53)	(28)
Net foreign exchange (losses) gains	(122)	29
Corporate overheads and others	(32)	(33)
Release of cumulative exchange gains upon deregistration of foreign subsidiaries	4	21
Taxation	(57)	(44)
Non-controlling interests	(61)	(45)
Total	(60)	20

Construction

In the current interim period, the construction business posted higher profit on an increased turnover. Average net profit before tax margin was 11.6% of turnover, which was above the 9.7% margin in the previous interim period, largely due to the profit upward adjustments with respect to certain of the construction projects completed in the current period and prior years being taken up in the current period, coupled with the increased contribution from the maintenance business.

Property

The property division in Mainland China was negatively affected by the new wave of COVID-19 outbreak in the first half of 2022. Rental income of the four shopping malls and the office tower of Chengdu Centropolitan decreased in the current interim period owing to the temporary closure of the properties, in whole or in part, following the various lockdown restrictions implemented in the cities where our investment properties located and the early termination of tenancies with certain tenants in our malls which failed to survive the prolonged shutdown and 'double reduction' crackdown. While rental income was affected, the Group has offered rental concessions to certain of our tenants to assist their operations. The occupancies of the shopping malls remained relatively stable.

At 30 June 2022, the Group's investment properties were valued at HK\$4,490 million. Excluding the effect on the depreciation of the Renminbi against the Hong Kong dollar, in the current interim period, there was a 0.5% gross depreciation of fair value on a portfolio basis.

Net finance costs

The Company's US\$180 million 6.25% senior notes due January 2022 was refinanced upon its maturity by a 3-year term bank loan facility of HK\$1.3 billion with a lower all-in cost. Notwithstanding the surge in HIBOR since June this year, the total net finance costs were decreased to HK\$58 million, from HK\$72 million in the previous interim period.

Foreign exchange (losses) gains

During the current interim period, the Renminbi registered a 4.6% depreciation against the Hong Kong dollar. This resulted in significant net foreign exchange losses totalling HK\$297 million recorded for the current interim period, of which HK\$122 million and HK\$175 million were recognised in the condensed consolidated statement of profit or loss and the condensed consolidated statement of financial position respectively, comparing with the foreign exchange gains of HK\$29 million and HK\$47 million respectively for the last interim period.

The completion of the deregistration of certain foreign subsidiaries has enabled the release of cumulative foreign exchange gains previously included in the translation reserve to profit or loss in this and prior interim periods, pursuant to prevailing accounting standards.

Assets Base

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

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Total assets	9,283	9,582
Net assets	2,999	3,264
	HK\$	HK\$
Net assets per share	8.0	8.7

Total assets of the Group decreased to HK\$9.3 billion at 30 June 2022, from HK\$9.6 billion at 31 December 2021. The decrease in both net assets of the Group and net assets per share was principally attributable to the 4.6% depreciation of Renminbi against the Hong Kong dollar during the current period, which caused a HK\$297 million reduction in equity or a HK\$0.79 reduction in net assets per share.

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

	30 June 2022		31 December 2021	
	HK\$ million	%	HK\$ million	%
Construction	2,215	24	2,145	22
Property	6,442	69	6,830	72
Corporate and others	626	7	607	6
Total	9,283	100	9,582	100

The proportion of total assets of each business segment remained relatively stable at 30 June 2022, when compared with that at 31 December 2021.

Equity, Financing and Gearing

The shareholders' equity of the Company decreased to HK\$3.0 billion on 30 June 2022, from HK\$3.3 billion on 31 December 2021.

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\$1,377 million on 30 June 2022, as compared with HK\$1,530 million on 31 December 2021.

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

	30 June 2022	31 December 2021
	HK\$ million	HK\$ million
Bank borrowings repayable:		
Within one year	1,031	934
After one year but within two years	656	762
After two years but within five years	1,382	81
After five years	20	41
Total bank borrowings	3,089	1,818
US\$ senior notes	-	1,227
Total bank and other borrowings	3,089	3,045
Bank balances, deposits and cash	(1,712)	(1,515)
Net bank and other borrowings	1,377	1,530

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, slightly reduced to 45.9% on 30 June 2022, from 46.9% on 31 December 2021, notwithstanding the HK\$297 million decline in equity caused by the depreciation of Renminbi against the Hong Kong dollar as mentioned above.

Treasury Policies

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

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

Employees

At 30 June 2022, the number of employees in the Group was approximately 1,934 (31 December 2021: 1,867) in Hong Kong and Macau, and 337 (31 December 2021: 347) 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 various initiatives such as Trainee and Apprentice Development Programmes for fresh graduates from various disciplines, Functional Executive Program for middle managers, Leadership Development Program for project managers as well as Talent Development Program for selected high potential management staff. Likewise, in Mainland China, staff benefits are commensurate with market levels, with emphasis on building the corporate culture and professional training and development opportunities are provided for local employees. It remains our objective to be regarded as an employer of choice to attract, develop and retain high calibre and competent staff.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF SOCAM DEVELOPMENT LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of SOCAM Development Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 25 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 August 2022

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June	
		2022 HK\$ million (unaudited)	2021 HK\$ million (unaudited)
Turnover			
The Company and its subsidiaries		2,754	2,397
Share of joint ventures		1	5
		2,755	2,402
Group turnover	3	2,754	2,397
Other income, other gains and losses	4	(85)	67
Cost of properties sold		(22)	(49)
Raw materials and consumables used		(259)	(91)
Staff costs		(430)	(378)
Depreciation and amortisation		(29)	(23)
Subcontracting, external labour costs and other expenses		(1,784)	(1,684)
Fair value changes on investment properties		(21)	(68)
Finance costs	5	(68)	(81)
Share of (loss) profit of joint ventures		(1)	4
Profit before taxation		55	94
Taxation	6	(54)	(29)
Profit for the period	7	1	65
Attributable to:			
Owners of the Company		(60)	20
Non-controlling interests		61	45
		1	65
(Loss) earnings per share	9		
Basic		HK\$(0.16)	HK\$0.05
Diluted		HK\$(0.16)	HK\$0.05

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2022 HK\$ million (unaudited)	2021 HK\$ million (unaudited)
Profit for the period	1	65
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	(175)	47
Reclassification adjustments for exchange differences transferred to profit or loss upon deregistration of subsidiaries	(4)	(21)
Item that will not be reclassified to profit or loss:		
Fair value changes of an equity investment at fair value through other comprehensive income	1	6
Other comprehensive (expense) income for the period	(178)	32
Total comprehensive (expense) income for the period	(177)	97
Total comprehensive (expense) income attributable to:		
Owners of the Company	(238)	52
Non-controlling interests	61	45
	(177)	97

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2022 HK\$ million (unaudited)	31 December 2021 HK\$ million (audited)
Non-current Assets			
Investment properties		4,490	4,719
Goodwill		18	9
Other intangible assets		26	–
Right-of-use assets		60	24
Property, plant and equipment		34	33
Interests in joint ventures		116	119
Financial asset at fair value through other comprehensive income		32	31
Financial asset at fair value through profit or loss		2	2
Deferred tax assets		10	–
Club memberships		1	1
		4,789	4,938
Current Assets			
Properties held for sale		703	757
Properties under development for sale		177	185
Debtors, deposits and prepayments	10	1,253	1,390
Contract assets		539	665
Amounts due from joint ventures		75	81
Amounts due from related companies		35	47
Tax recoverable		–	4
Restricted bank deposits		372	388
Bank balances, deposits and cash		1,340	1,127
		4,494	4,644
Current Liabilities			
Creditors and accrued charges	11	1,989	2,185
Contract liabilities		47	21
Lease liabilities		32	19
Amounts due to joint ventures		149	150
Amounts due to related companies		42	42
Amounts due to non-controlling shareholders of subsidiaries		21	–
Taxation payable		216	206
Bank borrowings due within one year	12	1,031	934
Senior notes	13	–	1,227
		3,527	4,784
Net Current Assets (Liabilities)		967	(140)

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2022 HK\$ million (unaudited)	31 December 2021 HK\$ million (audited)
Total Assets Less Current Liabilities		5,756	4,798
Capital and Reserves			
Share capital	14	374	374
Reserves		2,625	2,890
Equity attributable to owners of the Company		2,999	3,264
Non-controlling interests		303	270
		3,302	3,534
Non-current Liabilities			
Bank borrowings	12	2,058	884
Lease liabilities		29	6
Defined benefit liabilities		64	63
Deferred tax liabilities		303	311
		2,454	1,264
		5,756	4,798

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company												
	Share capital	Share premium account	Translation reserve	Contributed surplus (Note a)	Goodwill	Retained profits/ (accumulated losses)	Share option reserve	Actuarial gain and loss	Investment revaluation reserve	Other reserve (Note b)	Total	Non-controlling interests	Total Equity
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 January 2022	374	2,982	444	197	(3)	(989)	-	(6)	(19)	284	3,264	270	3,534
Fair value changes of an equity investment at fair value through other comprehensive income	-	-	-	-	-	-	-	-	1	-	1	-	1
Exchange differences arising on translation of financial statements of foreign operations	-	-	(175)	-	-	-	-	-	-	-	(175)	-	(175)
Cumulative exchange differences reclassified to profit or loss upon deregistration of subsidiaries	-	-	(4)	-	-	-	-	-	-	-	(4)	-	(4)
(Loss) profit for the period	-	-	-	-	-	(60)	-	-	-	-	(60)	61	1
Total comprehensive (expense) income for the period	-	-	(179)	-	-	(60)	-	-	1	-	(238)	61	(177)
Share premium reduction (note c)	-	(2,982)	-	1,866	-	1,116	-	-	-	-	-	-	-
Acquisition of a subsidiary (note 17)	-	-	-	-	-	-	-	-	-	-	-	15	15
Partial acquisition of interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(4)	(4)
Partial disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	-	(1)	(1)	6	5
Dividends recognised as distribution (note 8)	-	-	-	(26)	-	-	-	-	-	-	(26)	-	(26)
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(45)	(45)
At 30 June 2022 (unaudited)	374	-	265	2,037	(3)	67	-	(6)	(18)	283	2,999	303	3,302

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company												
	Share capital	Share premium account	Translation reserve	Contributed surplus (Note a)	Goodwill	Accumulated losses	Share option reserve	Actuarial gain and loss	Investment revaluation reserve	Other reserve (Note b)	Total	Non-controlling interests	Total Equity
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 January 2021	374	2,982	347	197	(3)	(1,070)	5	34	(18)	284	3,132	219	3,351
Fair value changes of an equity investment at fair value through other comprehensive income	-	-	-	-	-	-	-	-	6	-	6	-	6
Exchange differences arising on translation of financial statements of foreign operations	-	-	47	-	-	-	-	-	-	-	47	-	47
Cumulative exchange differences reclassified to profit or loss upon deregistration of subsidiaries	-	-	(21)	-	-	-	-	-	-	-	(21)	-	(21)
Profit for the period	-	-	-	-	-	20	-	-	-	-	20	45	65
Total comprehensive income for the period	-	-	26	-	-	20	-	-	6	-	52	45	97
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(13)	(13)
At 30 June 2021 (unaudited)	374	2,982	373	197	(3)	(1,050)	5	34	(12)	284	3,184	251	3,435

Notes:

- The contributed surplus of the Group represents (i) 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; (ii) share premium reduction in June 2022; and net of (iii) offset against the accumulated losses of the Company and (iv) distribution to shareholders. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus under certain circumstances.
- Other reserve of the Group mainly include (i) an amount of HK\$231 million (2021: 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 (2021: 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 (2021: 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.
- Pursuant to a special resolution passed by the shareholders at the annual general meeting of the Company held on 1 June 2022, the entire amount standing to the credit of the share premium account of the Company was reduced and cancelled and that the credit arising therefrom be transferred to the contributed surplus account whereupon it was applied to offset the entire amount of the accumulated losses of the Company at 1 January 2022.

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2022 HK\$ million (unaudited)	2021 HK\$ million (unaudited)
Net cash from operating activities		
Operating cash flows before movements in working capital	169	234
Decrease in properties held for sale	19	56
Decrease (increase) in contract assets	127	(26)
Decrease in debtors, deposits and prepayments	141	404
Increase (decrease) in contract liabilities	27	(25)
Decrease in creditors and accrued charges	(85)	(544)
Movements in other working capital	(8)	(10)
Tax paid	(39)	(30)
	351	59
Net cash (used in) from investing activities		
Acquisition of a subsidiary (note 17)	(30)	–
Restricted bank deposits refunded	1	17
Restricted bank deposits placed	(2)	–
Other investing cash flows	3	8
	(28)	25
Net cash used in financing activities		
Drawdown of bank borrowings	1,322	92
Repayment of bank borrowings	(42)	(89)
Repayment of senior notes	(1,227)	–
Interest paid	(81)	(68)
Dividend paid	(26)	–
Other financing cash flows	(45)	(31)
	(99)	(96)
Net increase (decrease) in cash and cash equivalents	224	(12)
Cash and cash equivalents at the beginning of the period	1,127	1,101
Effect of foreign exchange rate changes	(11)	5
Cash and cash equivalents at the end of the period	1,340	1,094
Analysis of the balances of cash and cash equivalents		
Bank balances, deposits and cash	1,340	1,094

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

1. Basis of Preparation

The condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for adoption of certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are mandatorily effective for the Group's financial period beginning on 1 January 2022.

Joint ventures of the Group adopt uniform accounting policies for like transactions and events in similar circumstances as those of the Group.

The Group has applied, for the first time, amendments to HKAS 37 *Onerous Contracts – Costs of Fulfilling a Contract*. This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Group included only incremental costs to fulfil a contract when determining whether that contract was onerous or loss-making. The revised policy is to include both incremental costs and an allocation of other direct costs.

The Group has analysed the contracts for which the Group has not yet fulfilled all its obligations at 1 January 2022 and determined that none of them would be identified as onerous when applying the revised accounting policy. Therefore, the amendments have had no impact on the condensed consolidated financial statements for the six months ended 30 June 2022.

Except as described above, the application of other amendments to HKFRSs has had no material effect on the amounts and disclosures set out in the condensed consolidated financial statements for the current interim period.

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

3. Segment Information

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

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

1. Construction and building maintenance – construction, interior fit-out, renovation and maintenance of building premises mainly in Hong Kong and provision of smart facilities management services in Hong Kong and Mainland China
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 – provision of building information modelling services in Hong Kong and others

3. Segment Information (Continued)

(a) Reportable segment revenue and profit or loss

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

For the six months ended 30 June 2022

	Construction and building maintenance HK\$ million	Property HK\$ million	Other businesses HK\$ million	Total HK\$ million
Revenue				
Revenue from construction contracts	2,607	–	–	2,607
Revenue from property sales	–	26	–	26
Revenue from rendering of services in Hong Kong	1	71	–	72
Revenue from rendering of services in Mainland China	–	13	–	13
Revenue from contracts with customers	2,608	110	–	2,718
Revenue from property leasing	–	36	–	36
Group's revenue from external customers	2,608	146	–	2,754
Inter-segment revenue	–	–	6	6
Share of joint ventures' revenue	2,608	146	6	2,760
	–	–	1	1
Total segment revenue	2,608	146	7	2,761
Timing of revenue recognition				
At a point of time	–	26	–	26
Over time	2,608	84	–	2,692
Revenue from contracts with customers	2,608	110	–	2,718
Reportable segment results	306	(140)	(20)	146
Segment results have been arrived at after crediting (charging):				
Depreciation and amortisation	(17)	(4)	–	(21)
Interest income	4	7	–	11
Fair value changes on investment properties (note)	–	(21)	–	(21)
Dividend income from an equity investment	–	–	3	3
Finance costs	–	(7)	–	(7)
Share of (loss) profit of joint ventures	–	–	–	–
Property development	–	(4)	–	(4)
Other operations	–	–	3	3
				(1)

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. Segment Information (Continued)

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

For the six months ended 30 June 2021

	Construction and building maintenance HK\$ million	Property HK\$ million	Other businesses HK\$ million	Total HK\$ million
Revenue				
Revenue from construction contracts	2,207	–	–	2,207
Revenue from property sales	–	68	–	68
Revenue from rendering of services in Hong Kong	–	66	–	66
Revenue from rendering of services in Mainland China	–	14	–	14
Revenue from contracts with customers	2,207	148	–	2,355
Revenue from property leasing	–	42	–	42
Group's revenue from external customers	2,207	190	–	2,397
Share of joint ventures' revenue	1	–	4	5
Total segment revenue	2,208	190	4	2,402
Timing of revenue recognition				
At a point of time	–	68	–	68
Over time	2,207	80	–	2,287
Revenue from contracts with customers	2,207	148	–	2,355
Reportable segment results	217	(45)	26	198
Segment results have been arrived at after crediting (charging):				
Depreciation and amortisation	(10)	(5)	–	(15)
Interest income	3	9	–	12
Fair value changes on investment properties (note)	–	(68)	–	(68)
Finance costs	–	(8)	–	(8)
Share of profit of joint ventures	–	1	–	1
Property development	–	–	–	–
Other operations	–	–	3	3
				4

Note:

The fair value of the Group's investment properties has been arrived at on the basis of valuations carried out by independent qualified professional valuers.

3. Segment Information (Continued)

(b) Reportable segment assets and liabilities

An analysis of the Group's reportable segment assets and liabilities by reportable and operating segment is as follows:

At 30 June 2022

	Construction and building maintenance	Property	Other businesses	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Reportable segment assets	2,498	6,453	990	9,941
Reportable segment liabilities	1,926	812	451	3,189

At 31 December 2021

	Construction and building maintenance	Property	Other businesses	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Reportable segment assets	2,403	6,847	965	10,215
Reportable segment liabilities	1,977	885	432	3,294

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

	Six months ended 30 June	
	2022	2021
	HK\$ million	HK\$ million
Revenue		
Reportable segment revenue	2,761	2,402
Elimination of inter-segment revenue	(6)	–
Elimination of share of revenue of joint ventures	(1)	(5)
Consolidated turnover	2,754	2,397

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. Segment Information (Continued)

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

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Profit before taxation		
Reportable segment results	146	198
Unallocated other income	1	–
Unallocated finance costs	(61)	(73)
Other unallocated corporate expenses	(31)	(31)
Consolidated profit before taxation	55	94
	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Assets		
Reportable segment assets	9,941	10,215
Elimination of inter-segment receivables	(668)	(637)
Other unallocated assets	10	4
Consolidated total assets	9,283	9,582
	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Liabilities		
Reportable segment liabilities	3,189	3,294
Elimination of inter-segment payables	(668)	(637)
Unallocated liabilities		
– Bank borrowings	2,877	1,584
– Senior notes	–	1,227
– Taxation and others	583	580
Consolidated total liabilities	5,981	6,048

4. Other Income, Other Gains and Losses

	Six months ended 30 June	
	2022	2021
	HK\$ million	HK\$ million
Included in other income, other gains and losses are:		
Other income		
Interest income	11	12
Government subsidies (note)	19	2
Dividend income from an equity investment	3	–
Other gains and losses		
Expected credit losses recognised on other receivables	(10)	–
Exchange (loss) gain	(114)	49

Note:

The government subsidies represent the wage subsidy provided in connection with the support from the Anti-epidemic Fund of the HKSAR Government under the job creation and employment support schemes, which are recognised as income at the time the Group fulfilled the relevant granting criteria.

5. Finance Costs

	Six months ended 30 June	
	2022	2021
	HK\$ million	HK\$ million
Interest on bank and other loans	56	33
Interest on senior notes	5	44
Interest on lease liabilities	1	–
Other borrowing costs	6	4
	68	81

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

6. Taxation

	Six months ended 30 June	
	2022	2021
	HK\$ million	HK\$ million
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	54	38
The People's Republic of China ("PRC") Enterprise Income Tax	1	–
PRC Land Appreciation Tax	3	7
	58	45
Deferred taxation	(4)	(16)
	54	29

Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax is calculated at 25% (2021: 25%) on the estimated assessable profits for the period.

PRC Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including land costs, borrowing costs and all property development expenditure.

7. Profit for the Period

	Six months ended 30 June	
	2022	2021
	HK\$ million	HK\$ million
Profit for the period has been arrived at after charging:		
Depreciation and amortisation		
Depreciation of property, plant and equipment	8	8
Depreciation of right-of-use assets	17	14
Amortisation of other intangible assets	4	1
	29	23

8. Dividends

The Board does not recommend the payment of an interim dividend (2021: nil) for the six months ended 30 June 2022.

On 30 June 2022, a dividend of HK\$0.07 per share (2021: nil), in the amount of approximately HK\$26 million (2021: nil), was paid to shareholders as the final dividend for the year ended 31 December 2021.

9. (Loss) Earnings Per Share

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

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
(Loss) profit for the period attributable to owners of the Company: (Loss) profit for the purpose of basic and diluted (loss) earnings per share	(60)	20
	Million	Million
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	374	374
Effect of dilutive potential ordinary shares: Share options	-	-
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	374	374

The Company has no outstanding share options during the current period.

The computation of the diluted earnings per share for the six months ended 30 June 2021 did not assume the exercise of the Company's share options, of which the relevant exercise price was higher than the average market price of shares of the Company for that period when those options were outstanding.

10. Debtors, Deposits and Prepayments

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

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

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Trade debtors aged analysis (note a):		
Not yet due or within 90 days	274	438
91 days to 180 days	3	2
181 days to 360 days	3	2
Over 360 days	-	1
Consideration receivable in respect of disposal of an associate (note b)	280	443
Prepayments, deposits and other receivables (note c)	30	32
Less: allowance for credit losses	957	919
	(14)	(4)
	1,253	1,390

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

10. Debtors, Deposits and Prepayments (Continued)

Notes:

- (a) Included in the trade debtors are receivables of HK\$3 million (31 December 2021: HK\$3 million), which are aged over 180 days, based on the date on which revenue was recognised.
- (b) The balances carry interest at 15% per annum.
- (c) Included in prepayments, deposits and other receivables at 30 June 2022 are receivables of HK\$529 million (31 December 2021: HK\$528 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\$140 million (31 December 2021: HK\$147 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 receivable in the amount of approximately RMB318 million (approximately HK\$372 million) (31 December 2021: RMB318 million (approximately HK\$389 million)) and its related interest. In addition to these receivables, the Company has provided a guarantee in relation to a loan granted to the Debtor (see note 18(a)). Given that there have been continued positive outcomes in the legal disputes in relation to the property interest and recovery of the outstanding receivables, including the successful registration of title deed of the property under the name of the Debtor in May 2015, the Directors of the Company believe that these receivables will be fully settled and the guarantee provided by the Company will be fully released either through public auction of the aforesaid property interest or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

11. Creditors and Accrued Charges

The aged analysis of creditors (based on invoice date) of HK\$133 million (31 December 2021: HK\$414 million), which are included in the Group's creditors and accrued charges, is as follows:

	30 June 2022	31 December 2021
	HK\$ million	HK\$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	120	372
31 days to 90 days	4	20
91 days to 180 days	1	9
Over 180 days	8	13
Retention payable	133	414
Provision for contract work/construction cost	232	285
Other accruals and payables	1,397	1,224
	227	262
	1,989	2,185

12. Bank Borrowings

During the period, the Group raised bank borrowings totalling HK\$1,322 million (2021: HK\$92 million), repaid bank borrowings totalling HK\$42 million (2021: HK\$89 million), and obtained new and renewed existing credit facilities totalling HK\$1,105 million (2021: HK\$758 million). New and renewed bank loan facilities of the Group carry interest at variable rates of approximately 1.87% to 4.12% (2021: 1.10% to 3.35%) per annum.

13. Senior Notes

	30 June 2022	31 December 2021
	HK\$ million	HK\$ million
At the beginning of the period/year	1,227	1,258
Interest charged during the period/year	5	88
Discount on buy-back of senior notes	–	(1)
Less: Interest payable reclassified under other payables	(5)	(79)
Less: Buy-back of senior notes	–	(46)
Less: Repayment of senior notes	(1,227)	–
Exchange adjustments	–	7
At the end of the period/year	–	1,227

The senior notes, together with interest accrued thereon, were fully repaid upon its maturity in January 2022.

14. Share Capital

	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	Number of shares	Number of shares	HK\$ million	HK\$ million
Ordinary shares of HK\$1 each:				
Authorised				
At the beginning and the end of the period/year	1,000,000,000	1,000,000,000	1,000	1,000
Issued and fully paid				
At the beginning and the end of the period/year	374,396,164	374,396,164	374	374

Subsequent to the reporting period, the Company repurchased a total of 476,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK\$1.25 to HK\$1.28 per share, for a total consideration of approximately HK\$0.6 million.

15. Capital Commitments

At 30 June 2022, the Group had no significant capital commitments (31 December 2021: HK\$37 million).

16. Share-based Payments

The Company has a share option scheme for eligible participants, which was expired on 21 August 2022.

No share option was granted or remained outstanding under the scheme during the current period.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

17. Acquisition of a Subsidiary

On 3 January 2022, an indirect non-wholly owned subsidiary of the Company acquired a 65% interest in Welpro Technology Limited ("Welpro"), which is principally engaged in installation works of electronic display, provision of security systems and related services in Hong Kong. The acquisition has been accounted for as acquisition of business using the acquisition method and Welpro has become an indirect non-wholly owned subsidiary of the Company. Details of the transaction are set out in the announcements of the Company dated 20 December 2021 and 5 January 2022 respectively.

The following table summarised the consideration paid; fair value of the assets acquired and liabilities assumed at the acquisition date on a provisional basis:

	HK\$ million
Recognised amounts of identifiable assets acquired and liabilities assumed	
Other intangible assets	30
Right-of-use assets	1
Debtors, deposits and prepayments	8
Contract assets	1
Inventories	1
Bank balances, deposits and cash	6
Creditors and accrued charges	(3)
Lease liabilities	(1)
Taxation payable	(1)
Total identifiable net assets	42
Goodwill arising on acquisition	
Cash consideration	36
Fair value of the net assets acquired	(42)
Non-controlling interests	15
	9
Net cash outflow arising on acquisition	
Cash consideration paid	(36)
Bank balances, deposits and cash acquired	6
	(30)

The non-controlling interests (35%) in Welpro recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Welpro and amounted to approximately HK\$15 million.

The acquisition-related costs have been charged to other expenses and were not material to the Group.

The goodwill arising on acquisition is primarily attributed to the benefit of expected synergies, future market development and the assembled workforce of Welpro. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

17. Acquisition of a Subsidiary (Continued)

Turnover of HK\$18 million included in the condensed consolidated statement of profit or loss since the date of acquisition to 30 June 2022 was contributed by Welpro. Welpro also contributed net profit of HK\$2 million over the same period.

Had the acquisition been completed on 1 January 2022, total Group's turnover and loss attributable to owners of the Company for the period would have no material difference. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

18. Contingent Liabilities

At 30 June 2022, the Group had the following contingent liabilities, which have not been provided for in the condensed consolidated financial statements:

- (a) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of CCP at that time (the "Former Subsidiary"). Subsequently, the Former Subsidiary was sold by CCP in 2008, but the Company remained as the guarantor for the bank loan following the disposal (see note 10(c) for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee to October 2022, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK\$634 million) at 30 June 2022 (31 December 2021: RMB542 million (HK\$663 million)) and the related interest amounting to RMB714 million (HK\$835 million) (31 December 2021: RMB681 million (HK\$833 million)) are secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

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

- (b) The Group is in discussion with the local government authority in the PRC with respect to the delay in construction completion of a development project in Tianjin, by the date as stipulated in the relevant land grant contracts. The relevant local government authority has accepted certain of the reasons identified by the Group in supporting the application for extending the completion date of the project. Based on the respective supplemental land grant contracts, a penalty of 0.02% of the land grant premium per day would be imposed from 29 June 2018 until the completion of the construction. Taking into account the aforesaid extension as accepted by the government authority and the fact that phase 1 of the project has been completed in 2015 and is in operation; and phase 2 of the project has been launched for sale since January 2019 and titles had been transferred to individual buyers for the sold units, the estimated penalty as at 30 June 2022, if any, will not be more than RMB14 million (31 December 2021: RMB14 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

19. Material Related Party Transactions

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

Nature of transactions	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
SOCL and its subsidiaries		
Dividend income	3	–
Property management services income	3	3
Disbursements on cost basis for costs and expenses incurred in the course of performing the property management services	6	–
Maintenance/renovation works income	9	–
Rental expenses	1	1

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

Nature of transactions	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Interest expenses	6	6
Subcontracting work expenses	–	2

- (c) The Group is licensed by Shui On Holdings Limited, a wholly-owned subsidiary of SOCL, to use the trademark, trade name of "Shui On", "瑞安" and/or the Seagull devices on a non-exclusive, royalty-free basis for an unlimited period of time.
- (d) Disclosures of the remuneration of Directors and other members of key management during the period under HKAS 24 "Related Party Disclosures", were as follows:

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Fees	1	1
Salaries and other benefits	11	11
Bonuses	15	18
Retirement benefit scheme contributions	–	–
	27	30

Note:

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

19. Material Related Party Transactions (continued)

- (e) The emoluments paid or payable to each of the six (2021: six) Directors which were included in note (d) above are set out as follows:

For the six months ended 30 June 2022

Name of Director	Notes	Fees	Salaries benefits and other	Bonus*	Retirement benefit scheme contributions	Share Based Payments	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Lo Hong Sui, Vincent		5	-	-	-	-	5
Mr. Lee Chun Kong, Freddy		5	2,922	5,671	133	-	8,731
Ms. Lo Bo Yue, Stephanie	(i)	158	-	-	-	-	158
Ms. Li Hoi Lun, Helen	(ii)	275	-	-	-	-	275
Mr. Chan Kay Cheung	(ii)	297	-	-	-	-	297
Mr. William Timothy Addison	(ii)	260	-	-	-	-	260
		1,000	2,922	5,671	133	-	9,726

For the six months ended 30 June 2021

Name of Director	Notes	Fees	Salaries benefits and other	Bonus*	Retirement benefit scheme contributions	Share Based Payments	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Lo Hong Sui, Vincent		5	-	-	-	-	5
Mr. Lee Chun Kong, Freddy		5	2,854	5,182	130	-	8,171
Ms. Lo Bo Yue, Stephanie	(i)	158	-	-	-	-	158
Ms. Li Hoi Lun, Helen	(ii)	275	-	-	-	-	275
Mr. Chan Kay Cheung	(ii)	297	-	-	-	-	297
Mr. William Timothy Addison	(ii)	260	-	-	-	-	260
		1,000	2,854	5,182	130	-	9,166

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

Notes:

(i) Non-executive Director

(ii) Independent Non-executive Directors

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

20. Fair Value Measurements of Financial Instruments

At 30 June 2022, certain financial assets of the Group were measured at fair value. The fair value of the financial asset at fair value through other comprehensive income was classified as level 1 fair value measurement and was derived from unadjusted quoted prices available on The Stock Exchange of Hong Kong Limited (active market). The Group's financial asset at fair value through profit or loss represent its investment in unlisted equity securities and its fair value was classified as level 2 fair value measurement and was determined with reference to recent transactions of the investee's shares.

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

Disclosure Under Rules 13.20 and 13.21 of the Listing Rules

Disclosure Under Rule 13.20 of the Listing Rules

Financial assistance and guarantees provided by the Group in favour of New Pi (Hong Kong) Investment Co., Ltd. ("New Pi") and certain of its subsidiaries were HK\$1,998 million at 30 June 2022, which comprises:

	HK\$ million
Receivables	529
Guarantees	1,469
	1,998

The receivables are unsecured, repayable on demand and out of the total outstanding balance, an amount of HK\$140 million carries interest at prevailing market rates. The above balances are in relation to the disposal of a former subsidiary group in prior years to New Pi. Further details of the receivables and guarantees are set out in notes 10(c) and 18(a) to the condensed consolidated financial statements.

Disclosure Under Rule 13.21 of the Listing Rules

On 15 October 2021, the Company entered into a loan agreement (the "Loan Agreement") with a licensed bank established in Hong Kong (the "Bank") whereby the Bank agreed to make available to the Company a term loan facility up to a principal amount of HK\$1,300 million (the "Loan Facility") for a term of three years. Pursuant to the Loan Agreement, there is a condition requiring the Company to procure (i) Shui On Company Limited to remain the single largest shareholder of the Company; and (ii) Mr. Lo Hong Sui, Vincent to remain the Chairman of the Company. Please refer to the announcement of the Company dated 15 October 2021 for the related details.

Any breach of the above obligations will cause a default in respect of the Loan Facility and may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately HK\$2,777 million at 30 June 2022.

General Information

Interests of Directors and Chief Executive in Securities

At 30 June 2022, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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

Name of Director	Number of shares			Total	Approximate percentage of issued shares (Note 1)
	Personal interests	Family interests	Other interests		
Mr. Lo Hong Sui, Vincent ("Mr. Lo")	–	312,000 (Note 2)	236,309,000 (Note 3)	236,621,000	63.20
Mr. Lee Chun Kong, Freddy ("Mr. Lee")	20,000	–	–	20,000	0.00
Ms. Lo Bo Yue, Stephanie ("Ms. Lo")	–	–	236,309,000 (Note 3)	236,309,000	63.11

Notes:

- Based on 374,396,164 shares of the Company in issue at 30 June 2022.
- 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 236,309,000 shares mentioned in Note 3 below.
- These shares were beneficially owned by Shui On Company Limited ("SOCL"), which 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 one of the discretionary beneficiaries, Ms. Lo was a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee 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			Total	Approximate percentage of issued shares (Note 1)
		Personal interests	Family interests	Other interests		
Mr. Lo	Shui On Land Limited ("SOL")	–	1,849,521 (Note 2)	4,501,574,251 (Note 3)	4,503,423,772	55.85
Mr. Lee	SOL	81,333	–	–	81,333	0.00
Ms. Lo	SOL	437,000 (Note 4)	–	4,501,574,251 (Note 3)	4,502,011,251	55.84

Notes:

1. Based on 8,062,216,324 shares of SOL in issue at 30 June 2022.
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 4,501,574,251 shares mentioned in Note 3 below.
3. These shares were held by SOCL through its controlled corporations, comprising 2,746,232,318 shares, 1,725,493,996 shares and 29,847,937 shares held by Shui On Investment Company Limited ("SOI"), Shui On Properties Limited ("SOP") and New Rainbow Investments Limited ("NRI") respectively, whereas both SOI and SOP were wholly-owned subsidiaries of SOCL. NRI was a wholly-owned subsidiary of the Company which in turn was held by SOCL as to approximately 63.11%. 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 one of the discretionary beneficiaries, Ms. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee 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)	US\$10,500,000
		Trust interests (Note 1)	US\$7,800,000
		Trust interests (Note 1)	US\$1,000,000
		Family interests (Note 2)	US\$2,000,000
		Family interests (Note 2)	US\$1,400,000
Ms. Lo	SODH	Trust interests (Note 1)	US\$10,500,000
		Trust interests (Note 1)	US\$7,800,000
		Trust interests (Note 1)	US\$1,000,000

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 30 June 2022, 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.

General Information

Interests of Substantial Shareholders and Other Persons

At 30 June 2022, 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	236,165,000 (Notes 2, 4 & 6)	63.07
SOCL	Beneficial owner	235,873,000 (Notes 3, 4 & 6)	63.00
Bosrich	Trustee	235,873,000 (Notes 3, 4 & 6)	63.00
HSBC Trustee	Trustee	235,873,000 (Notes 3, 4 & 6)	63.00
Mr. Sun Yinhuan ("Mr. Sun")	Founder of a discretionary trust	19,185,950 (Notes 5 & 6)	5.12
Right Ying Holdings Limited ("Right Ying")	Interest of controlled corporation	19,185,950 (Notes 5 & 6)	5.12
TMF (Cayman) Ltd. ("TMF")	Trustee	19,185,950 (Notes 5 & 6)	5.12

Notes:

1. Based on 374,396,164 shares of the Company in issue at 30 June 2022.
2. The number of shares disclosed above was based on the notice filed by Mrs. Lo on 2 July 2021 under Part XV of the SFO. It comprised 312,000 shares beneficially owned by Mrs. Lo and 235,853,000 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under the SFO as mentioned in Note 3 below.
3. The number of shares disclosed above was based on the notices filed by SOCL and Bosrich both on 7 July 2021 and the notice filed by HSBC Trustee on 8 July 2021 under Part XV of the SFO. Such shares were beneficially owned by SOCL, which 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 one of the discretionary beneficiaries, Ms. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under the SFO.
4. According to the disclosure made by Mr. Lo, at 30 June 2022, SOCL beneficially owned 236,309,000 shares representing approximately 63.11% of the issued shares of the Company, while Bosrich and HSBC Trustee, being trustees of the trusts as mentioned in Note 3 above, were deemed to be interested in such shares under the SFO.
5. 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.
6. All the interests stated above represent long positions.

Save as disclosed above, at 30 June 2022, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register which is required to be kept under section 336 of the SFO.

Share Options

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

All the remaining outstanding share options granted under the Existing Scheme and the Old Scheme had lapsed in 2018 and 2021 respectively, with no further share option granted under the Existing Scheme.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or early redeemed any of the listed securities of the Company.

The US\$180 million 6.25% senior notes issued by the Company in 2020 matured on 23 January 2022, and the Company fully repaid the US\$157.4 million outstanding principal amount of the senior notes on the maturity date.

Corporate Governance

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

The Board and its Committees

At the date of publication 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. Six standing Board Committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Finance Committee, the Investment Committee and the Executive Committee, have been set up to oversee particular aspects of the Group's affairs. The current member lists of the Board and its various Committees are set out in the Corporate Information section of this report.

Audit Committee

The principal responsibilities of the Audit Committee include the review of both the Group's consolidated financial statements and the effectiveness of its risk management and internal control systems. The Audit Committee also oversees the engagement of the external auditor and reviews its independence as well as the effectiveness of the audit process.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2022, including the accounting principles and practices adopted by the Group. It has also considered selected accounting, internal control and financial reporting matters of the Group, in conjunction with the Company's external auditor.

General Information

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. It is also given the tasks to determine the remuneration package of individual Executive Director, and review and approve performance-based remuneration of Executive Directors with reference to the corporate goals and objectives.

Nomination Committee

The Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board composition to meet the needs of the Company. Its duties also include making recommendations to the Board on the appointment or re-appointment of Directors and membership of the Board Committees, regularly reviewing the time commitment required from a Director to perform his/her responsibilities and assessing the independence of the Independent Non-executive Directors.

Finance Committee

The Finance Committee is responsible for reviewing the Group's financial strategies, compliance of the finance policy and the bank loan and bond covenants, as well as monitoring the overall banking relationship and the cash flow position of the Group.

Investment Committee

The Investment Committee is responsible for assessing investment and disposal recommendations on property projects of the Group and reviewing its overall investment/divestment strategy.

Executive Committee

The Executive Committee reviews, on a monthly basis, the operating performance and financial position of the Group and its strategic business units as well as the execution of the strategies and business plans approved by the Board.

Compliance with the Corporate Governance Code

Throughout the six months ended 30 June 2022, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules, except for the deviations explained below.

Code provision E.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 E.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 E.1.2 that the Remuneration Committee should make recommendations to the Board on the remuneration of Non-executive Directors. The Non-executive Directors abstain from voting in respect of the determination of their own remuneration at the relevant Board meetings.

Compliance with the Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the six months ended 30 June 2022.

Changes in Information of Directors under Rule 13.51B(1) of the Listing Rules

Since publication of the Company's 2021 Annual Report, the changes in the information of the Directors of the Company that are required to be disclosed under Rule 13.51B(1) of the Listing Rules are set out as follows:

Name of Director	Details of changes
Mr. Lo Hong Sui, Vincent	<ul style="list-style-type: none"> Stepped down as a Non-executive Director of Hang Seng Bank, Limited
Mr. Lee Chun Kong, Freddy	<ul style="list-style-type: none"> Ceased to be an Executive Member of the China Overseas Chinese Entrepreneurs Association Ceased to be a Member of the Wuhan Municipal Committee of the Chinese People's Political Consultative Conference
Mr. William Timothy Addison	<ul style="list-style-type: none"> Service contract for serving as an Independent Non-executive Director of the Company renewed upon expiration on 24 May 2022, subject to retirement by rotation and re-election at the annual general meetings in accordance with the Bye-laws of the Company and other applicable laws, rules and regulations

Details about the emoluments of the Directors of the Company for the six months ended 30 June 2022 are set out in note 19 to the condensed consolidated financial statements.

Corporate Information

Board

Executive Directors

Mr. Lo Hong Sui, Vincent (*Chairman*)
Mr. Lee Chun Kong, Freddy (*Chief Executive Officer*)

Non-executive Director

Ms. Lo Bo Yue, Stephanie

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Finance Committee

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

Investment Committee

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

Executive Committee

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

Company Secretary

Ms. Chan Yeuk Ho, Karen

Auditor

Deloitte Touche Tohmatsu
(*Registered Public Interest Entity Auditor*)

Registered Office

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

34th Floor, Shui On Centre
6-8 Harbour Road, Hong Kong

Principal Share Registrar and Transfer Office

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Branch Share Registrar and Transfer Office

Tricor Standard Limited
17th Floor, Far East Finance Centre
16 Harcourt Road, Hong Kong

Principal Bankers

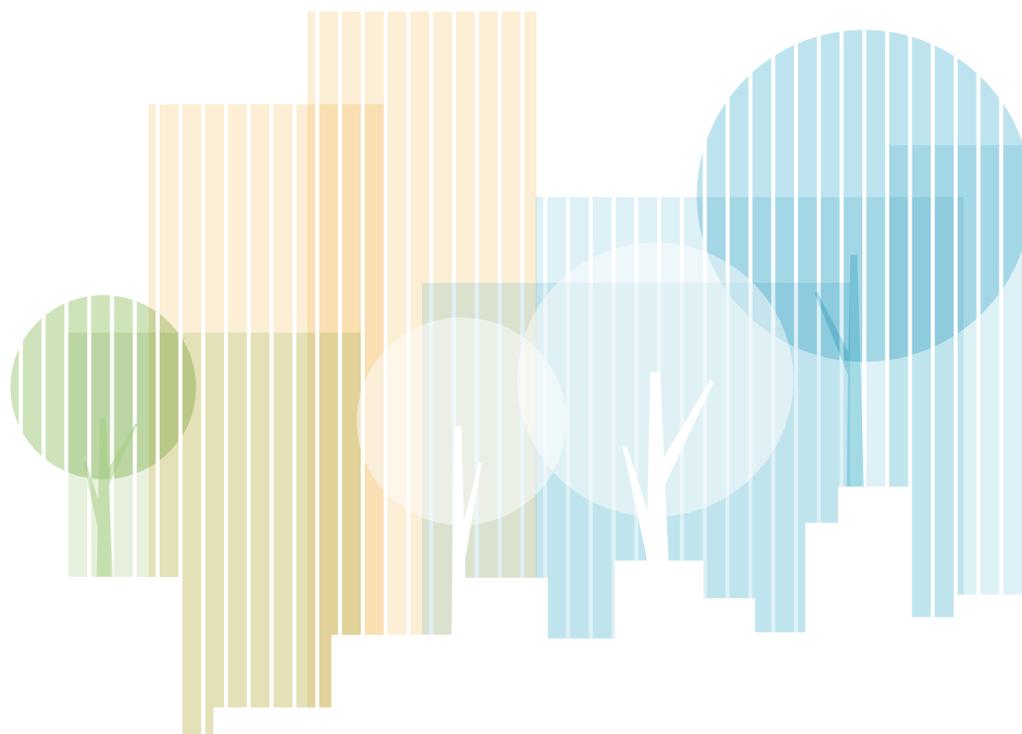
China CITIC Bank International Limited
Hang Seng Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

Stock Code

983

Website

www.socam.com



SOCAM DEVELOPMENT LIMITED

瑞安建業有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立的有限公司)



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