瑞安建業
SOCAM DEVELOPMENT

Stock Code 股份代號：983

CREATING SPACE

築建 新空間

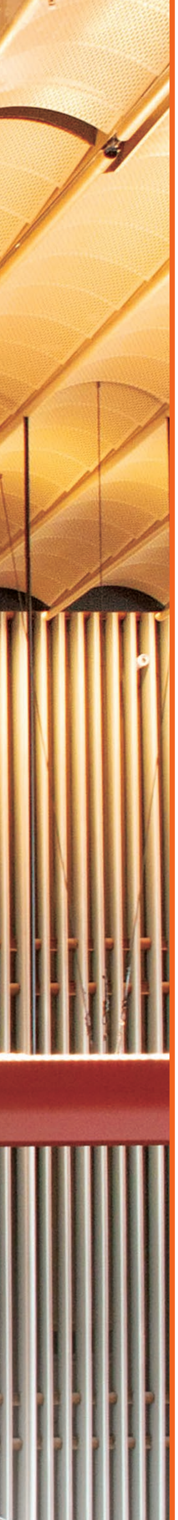
INTERIM REPORT 中期報告 2023

Hong Kong Palace Museum's ceiling and interior fit-out works were completed with the assistance of BIM.

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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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

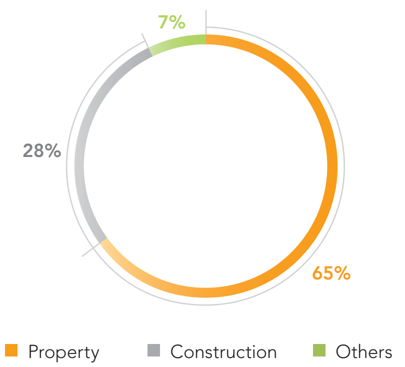
The "Better Tomorrow 2021-2030" blueprint, setting the sustainability vision and target, is an important step for the Company as it moves to create a positive impact on the economy, environment and the community, and putting sustainability as part of SOCAM's long-term outlook.

FINANCIAL HIGHLIGHTS

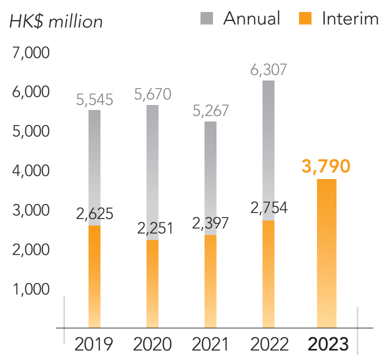
	Six months ended 30 June				
HK$ million	**2023**	2022	2021	2020	2019
Turnover	**3,790**	2,754	2,397	2,251	2,625
Profit (loss) attributable to shareholders	**(79)**	(60)	20	(130)	11
Basic earnings (loss) per share	**(HK$0.21)**	(HK$0.16)	HK$0.05	(HK$0.35)	HK$0.03
	At 30 June	At 31 December			
Total assets (HK$ billion)	**8.8**	9.1	9.6	9.8	9.4
Equity attributable to owners of the Company (HK$ billion)	**2.4**	2.6	3.3	3.1	2.8
Net asset value per share (HK$)	**6.54**	7.04	8.72	8.37	7.49
Net gearing	**82.2%**	60.9%	46.9%	50.8%	54.2%

Assets Employed

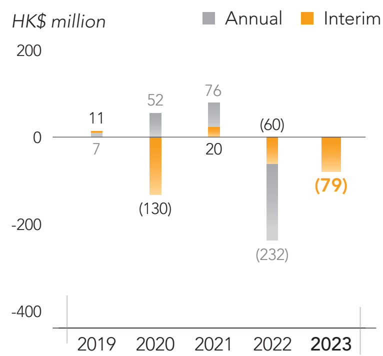
At 30 June 2023



Turnover

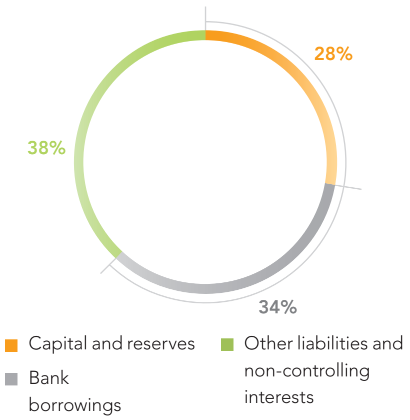


Profit (Loss) Attributable to Owners of the Company

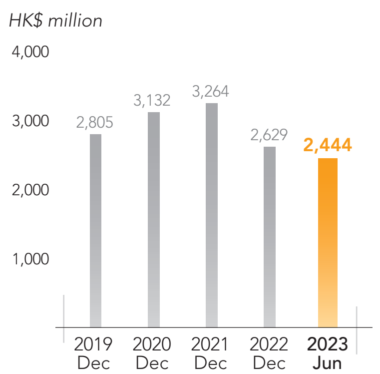


Capital and Liabilities

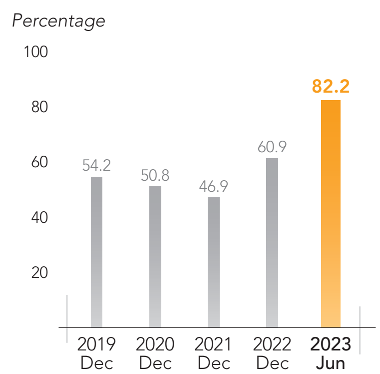
At 30 June 2023



Equity Attributable to Owners of the Company



Net Gearing



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

The Group completed interior fit-out works for MTR shopping mall "The Wai".

MANAGEMENT DISCUSSION AND ANALYSIS

"Riding on the public sector construction boom in Hong Kong, SOCAM's construction business leveraged its core competencies and recorded continued profitability, amid industry challenges."

With post-COVID normalisation in Hong Kong and the Mainland, SOCAM achieved satisfactory operating performance for the first half of 2023. Riding on the public sector construction boom in Hong Kong, SOCAM's construction business leveraged its core competencies and recorded continued profitability, amid industry challenges. It made notable progress on its construction projects, and saw substantial increase in turnover, while maintaining a strong order book. The property business in the Mainland posted an increase in leasing income with steady occupancies in its rental properties.

The newly completed Kwu Tung North Multi-welfare Services Complex.

Promoting construction technology with industry partners

The Group's turnover for the first six months of 2023 increased significantly by 37.6%, against the same period in 2022, to HK$3.8 billion. However, it reported net loss attributable to shareholders of HK$79 million for the first six months of 2023, as compared to the HK$60 million loss for the corresponding period in 2022. The loss for this interim period was largely due to the net foreign exchange loss of HK$76 million attributable to the 3.2% depreciation of the Renminbi against the Hong Kong dollar, the reduction of fair value of Mainland investment properties of HK$58 million (1H 2022: HK$18 million), and the substantial increase in net finance costs to HK$95 million during the period, from HK$58 million in the prior interim period, on tightening financial market conditions.

MARKET ENVIRONMENT

With China's post-COVID reopening since last December, the Group's principal markets saw continued economic recovery. China's GDP achieved 5.5% year-on-year (YoY) growth in the first half of 2023, against the 2.5% expansion for the same period in 2022, and was slightly above the Central Government's 2023 target of around 5%. The GDP in Hong Kong increased by 2.9% and 1.5% YoY in real terms in the first and second quarters of 2023 respectively, after contracted by 3.5% in 2022.

Since emerging from the COVID-19 pandemic, China's economy has been on a trajectory of steady but uneven recovery, amid the increasingly complex international circumstances. In this first half year, industrial production went up gradually and retail sales grew fast, while employment stayed generally stable and consumer prices edged up mildly. However, exports and imports remained low, domestic demand rebounded but has been relatively weak, and investment in real estate development dropped markedly. It is widely expected that the Central Government will roll out policies to support businesses and boost consumption in the second half year to keep the country on track to attain its growth target.

The Hong Kong economy recovered on the back of private consumption and inbound tourism. While exports of goods faced immense pressure, as slowing global economic growth weighed on external demand, investment expenditure suffered a mild decline. The rapid transition to the post-pandemic normalcy in both Hong Kong and the Mainland has led to a faster-than-expected economic recovery of this city. The improving labour market, coupled with the disbursement of consumption vouchers by the HKSAR Government, have rendered solid support to the domestic consumption. In Macau, the GDP is projected to experience an astounding growth in 2023.

The HKSAR Government continues to press ahead with key strategies and targets to increase the supply of public housing and improve the public health infrastructure to address these pressing issues of the community. It also plans to take forward various infrastructure projects, including the Northern Metropolis Development Strategy, for the long-term development of Hong Kong. Over the next ten years, total construction expenditure in Hong Kong is forecast to reach HK$300 billion per annum. As one of the major construction companies, supported by our embedded experience in public work construction over the past 50 years, SOCAM is well-placed to embrace the unparalleled business opportunities to the construction industry. In addition, our design and build know-how, technological capabilities in construction, increasing pace of digitalisation and firm ESG commitment have also enabled our businesses to stay competitive.

CORPORATE INITIATIVES AND DEVELOPMENTS

Optimising Business Opportunities

As Modular Integrated Construction (MiC) methods is gaining extensive application in the construction industry, SOCAM has been looking for suitable manufacturers of MiC units in the Greater Bay Area (GBA) for business co-operation to improve quality and safety, and reduce cost. In March 2023, we formed a partnership with Guangzhou Wan You, a well-established manufacturer in Guangzhou, for the supply of MiC units to our construction projects in Hong Kong, as a strategic step forward.

In April 2023, the Group invested in Carnot Innovations, a Hong Kong-based software company with a far-reaching presence across Asia, which has developed, among others, an AI-powered solution that will optimise energy consumption of chiller systems in buildings and facilities. NetZo Limited (NetZo), our smart facilities management arm, will partner with Carnot Innovations and other suitable energy saving solutions providers to seize the ample business opportunities and to expand the market reach.

SOCAM has a comprehensive construction value chain, with Shui On Building Contractors Limited (SOBC), Shui On Construction Company Limited (SOC), Pacific Extend Limited (PEL), Pat Davie Limited (PDL) and NetZo, specialising in respective areas of construction works throughout the building lifecycle. During this interim period, we stepped up efforts to develop stronger capabilities, enhance productivity and spur innovations through creating greater synergies among our construction teams. In the face of the intensifying market competition and uneven tender release, we continued to sharpen our edge and expand investment in recruitment, development and retention of young talents to enable us to stay at the forefront of the industry.

Building of Light Public Housing

As mentioned in the Chief Executive's Policy Address in October 2022, the HKSAR Government will make use of government and private land with no development plan in the near future to build about 30,000 Light Public Housing (LPH) units in the next five years, i.e. 2023/24 – 2027/28. Standardised simple design and the MiC methods will be adopted to construct LPH units expeditiously so as to fill the short-term gap of public housing supply and improve the living conditions of needy families which are currently inadequately housed.

The tenders for the design and construction of the first four LPH projects, located at Yuen Long, Ngau Tau Kok, Tuen Mun and Kai Tak, have been issued since June 2023. SOCAM's construction arm is making every preparation to tap into this market segment in support of the Government's plan. In addition, our property management subsidiary is well positioned to seize the business opportunities arising from the management of the LPH units after completion.

Private Sector Participation in Subsidised Housing Development

As per the 2022 Policy Address, the HKSAR Government will introduce a pilot scheme on private sector participation in subsidised housing development, which aims to make use of private market forces to raise the supply of affordable housing. From the 2023/24 financial year, three sites will be put up for tender in batches for developers to build subsidised homes for sale to eligible households at a 35% discount to market price.

No stranger to such home building scheme, the Group has developed a number of public housing estates under the Private Sector Participation Scheme since the 1980s, which will give it a distinct edge over the competition. SOCAM will seriously consider this business opportunity in the light of the local property market trend.

CONSTRUCTION

MARKET REVIEW

Alongside the recovery of the Hong Kong economy, construction activities increased further. Total expenditure on building and construction went up in the first half of 2023, while the private sector staged a strong rebound and the public sector sustained a relatively mild growth. Market competition for public works contracts remained intense.

The housing and healthcare issues in Hong Kong are of greatest public concern. The HKSAR Government remains fully committed to its long-term housing strategy and the two 10-year hospital development plans to address these critical community issues. The supply of transitional housing and LPH and the provision of subsidised homes under the private developer participation scheme will help ease the short-term public housing shortage.

The public sector construction boom will continue. The Group's construction business is well positioned to capture the tremendous market opportunities ahead for further business growth.

The Kwu Tung North Multi-welfare Services Complex provides 1,750 residential care places for the elderly.

"We stepped up efforts to develop stronger capabilities, enhance productivity and spur innovations through creating greater synergies among our construction teams."

Opportunities and challenges go hand in hand. The construction industry has been facing acute manpower shortage. In June 2023, the HKSAR Government announced the implementation of the labour importation scheme for the construction sector, subject to a quota of 12,000 imported construction workers, covering skilled and semi-skilled workers as well as technicians and site supervisory personnel. SOCAM is seizing this opportunity to expand our manpower base to alleviate the manpower shortage.

CONSTRUCTION TECHNOLOGY

SOCAM pressed on with the upgrade of its information technology infrastructure and digitalisation, while exploring and making wider application of new technologies in its construction projects, to raise operational efficiency, enhance quality and safety and reduce cost.

Heading towards "Construction 2.0", SOCAM has been developing its capabilities in construction technologies over recent years. While we continue to strengthen our in-house design and technical competencies, we have increased investment in nurturing our Building Information Modelling (BIM) team and expanding the MiC capacity. Our capabilities are witnessed in the Kwu Tung North project, completed earlier this year, that adopted MiC methods in full scale and integrated BIM and smart technologies over the entire project lifecycle.

The HKSAR Government, in 2022 Policy Address, plans to require suitable public housing projects of the Hong Kong Housing Authority (HKHA) scheduled for completion in the next five years to adopt the MiC methods in a move to accelerate housing production. SOCAM is, among the early movers, best equipped to meet the client's requirements.

SAFETY AND RECOGNITIONS

SOCAM strives to make our project sites safe. We have widely adopted technologies including AI cameras, face recognition, smart helmet and safety monitoring system at construction sites in monitoring safety hazards. Over the years, our Construction Division recorded accident rate substantially below the industry average in Hong Kong.

Unfortunately, a fatal accident happened on 21 March 2023 at SOBC's public housing project at Anderson Road Quarry Site RS-1. Immediately following this incident, our Crisis Management team urgently conducted an in-depth review of the case, and took prompt actions, which included:

(a) Led by senior management team, launched site enhancement initiatives that lay stress on protective measures and strengthened supervision; and

(b) Heightened workers awareness by providing more stringent guidelines and in-house safety rules.

Our persistent efforts to site safety and environmental protection continue to earn us industry recognitions. SOCAM, SOBC and SOC received the following awards at the 21st Hong Kong Occupational Safety and Health Award organised by the Occupational Safety and Health Council:

- Excellence Award in the Safety Performance Award;
- Silver Award in the OSH Annual Report Award; and
- Bronze Award in the Safety Management System Award, and 5S Good Housekeeping Best Practices Award.

In addition, SOBC and SOC received the 2022 Environmental Merit Award from the Hong Kong Construction Association (HKCA) at the HKCA Hong Kong Construction Environmental Awards in recognition of their outstanding achievement in environmental performance.

SOBC garnered Gold Award, Meritorious Award and Outstanding Performance in Work-at-height Safety Award in Minor Renovation and Maintenance Works in the Construction Industry Safety Award Scheme 2022/2023 organised by the Labour Department.

OPERATING PERFORMANCE

The Group's construction business achieved continued profitability, with significant increase in turnover, for the first six months of 2023. Riding on SOCAM's solid foundation and market presence, the Group has maintained its strong order book amid a hyper-competitive tendering environment.

The business recorded a turnover of HK$3.7 billion for the first half of 2023, an upsurge of 40.5% from HK$2.6 billion for the same period in 2022. Yet, it reported a profit of HK$255 million for the first six months of 2023, a 15.6% decline against the profit of HK$302 million for the corresponding period in 2022, as new contracts made relatively less profit contribution during their initial stage of construction works in the current interim period, while the profit in the prior interim period was lifted by the increased contributions from completed projects. Pre-tax profit margin dropped to 7.0% in this interim period, from 11.6% in the last interim period.

As a result of the fatal accident in March 2023, HKHA imposed regulatory actions against SOBC, whereby SOBC has been suspended from tendering for HKHA's new works for six months until 27 September 2023. Given its workload on hand, the Group has stepped up its focus on the tendering opportunities in other government and institutional sector during the period concerned.

Transitional housing project at "The NAScenT" in Kam Tin is scheduled for completion in 2023

In the first half of this year, the Group secured new construction contracts in Hong Kong and Macau worth a total of HK$2.9 billion, as compared with the HK$3.0 billion awarded in the same period of last year. More details of the new contracts secured will be provided under the respective companies below.

As at 30 June 2023, the gross value of contracts on hand was HK$26.4 billion and the value of outstanding contracts to be completed was HK$16.1 billion, in comparison to HK$24.4 billion and HK$16.2 billion respectively as at 31 December 2022. The order book stayed strong, which will help ensure healthy growth in turnover, profit and cash flow in the coming few years.

In general, the Group's construction projects continued to proceed well. 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 construction and maintenance contracts in a total amount of HK$572 million during the first six months of 2023, which included a 3-year term contract for the design and construction of fitting-out works to buildings and lands and other properties in Kowloon and New Territories for which the Architectural Services Department (ASD) is responsible (HK$570 million).

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

- the construction of public housing developments at Anderson Road Quarry Sites RS-1, R2-6 and R2-7 for the HKHA;
- the construction of public housing developments at Sheung Shui Areas 4 and 30 Site 1 Phase 1 and Site 2 Phase 2 for the HKHA;
- the design and build of transitional housing at Kam Tin, Yuen Long from the New Territories Association of Societies (Community Services) Foundation;
- the term contract for minor works for New Territories East Cluster for the Hospital Authority;
- the term contract for alterations, additions, maintenance and repair of aided schools, buildings and lands, and other properties in various districts for the Education Bureau;
- 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 ASD is responsible for the whole territory of Hong Kong;
- 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, building structure refurbishment works as well as cable trenching and laying works for CLP Power Hong Kong Limited; and
- the term contract for maintenance, improvement and refurbishment works for buildings at the Hong Kong International Airport for the Airport Authority.

In this first half year, SOBC and PEL completed two 3-year term contracts for maintenance, improvement and vacant flat refurbishment works for public housing estates in designated districts for the HKHA.

"Smart washroom" project by Pat Davie

Shui On Construction Company Limited and Shui On Joint Venture

In April 2023, SOC secured the HK$1,935 million contract from the ASD for the design and construction of Western Police Married Quarters, which will provide three quarters blocks offering a total of 540 units, when completed in 2026. The MiC methods and the latest construction technologies will be extensively adopted in this contract to enhance productivity and construction safety.

During the current interim period, Shui On Joint Venture progressed well with the design and construction contracts, comprising the redevelopment of Kwai Chung Hospital (Phase 2) for the Hospital Authority, and provision of the Drainage Services Department Building at the Cheung Sha Wan Sewage Pumping Station for the ASD.

Subsequent to the interim period end, SOC secured from the ASD the contract for the design and construction of an integrated development with an open space garden and a public vehicle park in Sham Shui Po (HK$731 million).

Pat Davie Limited

In the first half of 2023, PDL secured new fit-out and refurbishment contracts with an aggregate value of HK$380 million primarily in the commercial and institutional sectors in Hong Kong, and maintained a healthy order book.

The major contracts secured by PDL during the period included:

- the fire suppression systems and building modification works at the Departures Immigration Hall in Hong Kong International Airport Terminal 1;
- interior fit-out works for L7 Food Hub for Third Runway and Apron Works at Hong Kong International Airport; and
- interior fitting out of lift lobbies, clubhouse, swimming pool and changing room of the residential and commercial development at No. 53 Kwun Tong Road.

Amidst a challenging business environment, PDL has executed well on the projects it secured, and managed to deliver them on schedule and within budget. Contracts worth a total of HK$813 million and HK$43 million were completed in Hong Kong and Macau respectively during the first half of 2023. Notable ones included fit-out works on The Wai, reconfiguration of the Airfield Ground Maintenance Building at Hong Kong International Airport, façade and windows improvement works on Electric Tower, and alteration and addition works at Hongkong Electric Centre.

After the interim period end, PDL was awarded the following major contracts:

- addition and alteration, fitting-out and building services works on the Atrium Link, Clubhouse and toilets at various buildings in Hong Kong Science Park (HK$155 million); and
- fitting-out works on VIP West Pavilion South for Galaxy Resort & Casino in Cotai City, Macau (HK$35 million).

Smart Facilities Management (SFM) Services

During the current interim period, NetZo continued to implement facilities enhancements to the Heating, Ventilation and Air Conditioning (HVAC) systems of the Group's shopping malls in Chengdu, Chongqing and Shenyang. Such enhancements resulted in noticeable improvement in the operational efficiency of the systems and achieved preliminary energy saving of approximately 20%. It also completed upgrade of the lighting systems with energy-efficient solutions, achieving energy saving of approximately 50% or more, and commissioned an AI-assisted waste discharge management system for the projects of Shui On Land (SOL) in Shanghai.

In addition, the Group continued to undertake overhaul enhancement works for Shui On Centre and, partnered with CLPe Solutions, completed the installation of fresh water cooling system for greater energy saving.

NetZo secured contracts for the HVAC system enhancements for SOL's developments in Wuhan and Foshan, and has been in negotiations with several clients in Hong Kong and the GBA for the provision of SFM solutions.

In March 2023, SOCAM and SOL entered into the Framework Agreement, whereby the Group will undertake smart facility enhancement works for the property developments of the SOL Group in the Mainland for the period from 31 March 2023 to 31 December 2028, for service fees aggregating up to RMB72 million. The enhancement works include, among others, installation of smart facilities and equipment to improve the efficiency of energy consumption and facility management, and provision of energy saving services and associated after-sales and maintenance services. This business initiative will not only provide stable income to the Group, but will also help the Group establish its track record in SFM business in the Mainland to capture the upcoming market opportunities in this new growth area.

□ The two public housing development projects at Anderson Road will provide over 3,310 units when completed

PROPERTY

"The property business in the Mainland posted an increase in leasing income with steady occupancies in its rental properties. We embrace innovative mall technologies and digitising customer service to elevate customer journey in our malls, and bring in suitable smart facilities for cost saving, thus enabling our assets to achieve sustainable growth in value."

MARKET REVIEW

In Mainland China, retail sales of consumer goods logged an upsurge of 8.2% YoY to RMB22.8 trillion in the first six months of 2023, buoyed by a recovery in domestic spending following the lifting of COVID-19-related restrictions towards the end of last year. Online retail sales for the first half of 2023 continued to grow steadily and recorded a 13.1% YoY increase to hit RMB7.2 trillion.

Despite the post-COVID rebound in local spending, domestic demand has been relatively weak. The pandemic-damaged corporate and personal balance sheets, overhanging risk in the real estate sector and record high youth unemployment which contribute to the faltering consumption sentiment.

The pandemic during the last three years brought about dramatic shifts in consumer behaviours and accelerated the digital transformation of the Mainland's economy, impacting profoundly the retail and commercial leasing sector, among others. The online behaviours of Mainland consumers span all spheres of life, from working to shopping, learning, entertainment, travelling and others. In recent years, the emerging livestreaming e-commerce, a new online shopping platform, has witnessed explosive growth. The 'stay-at-home economy' is undergoing development at a tremendous pace amid the evolution of the Mainland's digital landscape.

Creating a community-friendly shopping mall

In response to the rapidly evolving new normal, the Group rolled out asset enhancement initiatives continuously in spite of the difficult market conditions, optimised the operations, and revitalised the leasing and marketing strategies, solidifying its position as the "Community Mall", enriched with unique green and fun elements in Chengdu, Chongqing, Shenyang and Tianjin.

OPERATING PERFORMANCE

The first half of 2023 remained challenging for our property business. The consumer market was gradually returning to normal, but the pace of recovery among different business sectors was uneven. Despite marked increase in customer footfall in all our shopping malls, the general consumption sentiment has stayed relatively weak. In addition, the "Double Reduction" policy continued to drag on the leasing performance of our rental properties. Yet, we saw a slight increase in total leasing income and steady occupancy rates of our retail premises for the current interim period.

The Group's property business recorded a loss of HK$61 million for the first six months of 2023, compared with the loss of HK$36 million for the same period in 2022, which included valuation loss, net of deferred tax provision, of its property portfolio of HK$58 million and HK$18 million respectively. Total turnover for the first half of 2023 amounted to HK$126 million, comprising leasing income of HK$51 million, sales revenue of HK$7 million, and Hong Kong property management services income of HK$68 million, as compared with the total turnover of HK$146 million for the corresponding period in 2022.

☐ Organised community programmes to increase customer traffic

PROPERTY PORTFOLIO

As of 30 June 2023, the Group owned six projects in the Mainland, comprising a total gross floor area (GFA) of 396,300 square metres, of which 379,400 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	82,900	**159,200**
Chongqing	Creative Concepts Center	–	–	21,000	9,900	**30,900**
Guangzhou	Parc Oasis	–	–	–	4,300	**4,300**
Nanjing	Scenic Villa	10,900	–	–	7,500	**18,400**
Shenyang	Shenyang Project Phase I	–	1,600	62,200	25,500	**89,300**
Tianjin	Veneto Phase 1	–	–	63,600	–	**63,600**
	Veneto Phase 2	–	1,400	29,200	–	**30,600**
Total		10,900	36,300	219,000	130,100	**396,300**

* The GFA shown excludes sold and delivered areas.

LEASING PERFORMANCE

The Group 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 half of 2023, total leasing income amounted to HK$51 million, increased slightly from HK$49 million for the same period in 2022.

TOTAL GFA

as at 30 June 2023

396,300 sq. m.

TOTAL LEASING INCOME

HK$51 million

Improving mall facilities from time to time

Occupancy Rates of Retail and Office Properties in Mainland China:

Project	Total GFA (sq.m.)	Occupancy Rate 30 June 2023	31 December 2022
Chengdu Centropolitan			
Retail	43,000	**88%**	71%
Office	33,300	**88%**	78%
Chongqing Creative Concepts Center			
Retail	21,000	**84%**	82%
Shenyang Tiandi			
Retail	62,200	**91%**	93%
Tianjin Veneto Phase 1			
Retail	63,600	**67%**	69%

In Chengdu Centropolitan, the occupancy rate of the mall was considerably lifted by the replacement of cinema which was open for business in January 2023.

Over the years, we have maintained strong and lasting ties with our tenants. The disciplined execution of our marketing strategies has enabled us to achieve relatively stable occupancies in all our shopping malls during this interim period.

ASSET ENHANCEMENT

The Group has constantly re-energised the retail, dining and entertainment ambience of its shopping malls, and enhanced the component attractions of the modern, environmentally friendly mall experience to meet the ever-evolving consumer expectation and trends. We have also installed smart facilities and applied anti-virus technology in our malls to improve the health and wellbeing of our tenants and customers, while raising energy efficiency and reducing operating cost.

As the daily lives of people returning to normalcy, dynamic promotional events, including green engagement programmes, were organised to engage customers and boost sales of our tenants. Introducing targeted marketing activities has driven customer 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

The Group held a small property inventory for sale, which mainly consisted of properties under development in Nanjing Scenic Villa, retail shops and SOHO units in Phase 2 of Tianjin Veneto, and a number of car parking spaces in various projects.

The Group recognised revenue of HK$7 million and broke even with property sales for the first six months of 2023, as compared with HK$26 million revenue and HK$2 million loss for the corresponding period in 2022.

The COVID-19 pandemic dampened badly the investment sentiment for commercial properties. In the early stage of the post-COVID recovery of the economy, the buyer sentiment remained weak. It is expected that the gradual improvement in retail sales and foot traffic in Tianjin Veneto will give a boost to the sales of the inventory of this project.

PROPERTY MANAGEMENT

During the current interim period, Pacific Extend Properties Management Limited (PEPM) executed well on its various property management contracts for housing estates as well as the term contracts for the Civil Aviation Department and Urban Renewal Authority, and secured the facilities management contract for All Saints' Middle School for a term of two years.

Riding on its expertise and experience in property management and working in collaboration with other business operations of the Group, PEPM recorded HK$68 million turnover for the first half of 2023 and contributed stable income and cash flow to the Group.

Elevating customer experience

OUTLOOK

"SOCAM continues to raise construction productivity and enhance project delivery. While leveraging the labour importation schemes launched by the HKSAR Government, we will further expand our construction workforce, attract young talents, and strengthen talent development to cope with our business growth."

New project – Design and construction of Western Police Married Quarters

The global economy is set to slow in 2023. Despite signs of resilience over recent months, any upturn looks fragile and risks are tilted to the downside. Uncertainty over the evolution of the Russia-Ukraine war and its global impact remains a key concern. Persistent inflation, rising tensions in China-US relations, growing geopolitical instability, supply-chain disruptions and extreme weather-related events will weigh on the global economic outlook. The most aggressive monetary tightening in advanced economies in decades has unveiled the vulnerabilities in the global financial architecture, and further shocks may trigger financial turbulence.

China's economic recovery in the first half of this year was steady, but uneven, and the foundation for sustained recovery is not solid yet. The second half year and beyond will doubtlessly come with challenges. Recent economic data has pointed to slowing recovery momentum on a number of fronts. Flagging global demand amid an increasingly complex external environment continues to weaken China's exports, while inadequate domestic demand remains prominent on subdued consumer and business sentiment. The Central Government is expected to roll out a slew of policy measures to boost market confidence, optimise the economic structure and enhance the resilience of economic development.

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 occupancies and rental performance. Embracing innovative mall technologies and digitising customer service will help elevate customer journey in our malls. We also strive to bring in suitable smart facilities and exploit cost saving opportunities in all respects, thus enabling our assets to achieve sustainable growth in value.

Private consumption and inbound tourism are expected to remain the major drivers of the economic growth in Hong Kong in the short term. The improving labour market, coupled with the HKSAR Government's measures to boost the recovery momentum, will provide further support to private consumption. On the other hand, exports of goods will continue to face significant challenges. As long as Hong Kong actively dovetails itself with the country's development strategies, and strengthens further the infrastructure and commercial linkages within the GBA, the economic outlook for Hong Kong remains promising in the medium to long term.

Solving the housing problem tops the agenda of the HKSAR Government, which has strategies and plans in hand to increase the supply of public housing and expedite the housing construction with wider adoption of innovative technologies. The expanding public housing construction market and roll-out of the private sector participation scheme in subsidised homes, coupled with the on-going hospital development plans and the Northern Metropolis Development Strategy, will offer tremendous business opportunities, albeit in a severely competitive environment, to SOCAM in the coming years.

Amid the momentous years ahead for Hong Kong's construction industry, shortage of skilled labour continues to present a major risk for the industry going forward. Addressing this, SOCAM continues to raise construction productivity and enhance project delivery. While leveraging the labour importation scheme launched by the HKSAR Government, we will further expand our construction workforce, attract young talents, and strengthen talent development to cope with our business growth. Equally important, we will strive to raise our safety standards and reinforce our safety culture among subcontractors to improve further on ensuring employees' and workers' safety.

The digitalisation journey and the technologies we have adopted in our business operations are reaping benefits. Construction technology plays a crucial role in today's highly-competitive market, particularly as an interface with government and institutional clients. SOCAM will ramp up efforts to explore and apply advanced construction technology to optimise operational efficiency, enhance quality and safety, minimise impact on environment, and reduce cost, while easing the pressure due to labour shortage.

Powered by our culture and the full strengths of our employees, SOCAM's mission is to become a sustainable and resilient company through continuous innovation, creating more opportunities and positive impact for our stakeholders. We will strive to create the maximum possible shareholder return, while embracing farsighted approaches to build a better community.

Redevelopment of Kwai Chung Hospital (Phase 2) is in good progress

FINANCIAL REVIEW

INTERIM RESULTS

The Group recorded a loss of HK$79 million on a turnover of HK$3,790 million for the six months ended 30 June 2023, compared with the loss of HK$60 million and turnover of HK$2,754 million for the corresponding period last year.

An analysis of the total turnover is as follows:

	Six months ended 30 June 2023 HK$ million	Six months ended 30 June 2022 HK$ million
Turnover		
Construction and maintenance	**3,664**	2,608
Mainland property	**58**	75
Hong Kong property management	**68**	71
Total	**3,790**	2,754

The construction business reported a substantial 40% increase in turnover for the first half of this year. Riding on SOCAM's solid foundation and presence in the market, all of the construction, maintenance and interior fitting-out businesses recorded some HK$300 million increase in turnover over this interim period. Revenue from the property business decreased to HK$58 million, from HK$75 million in the prior interim period, since lesser property sales revenue was recognised.

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

	Six months ended 30 June 2023 HK$ million	Six months ended 30 June 2022 HK$ million
Construction	**255**	302
Property		
Loss on property sales	**–**	(2)
Net rental income	**14**	9
Fair value changes on investment properties, net of deferred tax provision	**(58)**	(18)
Hong Kong property management	**3**	11
Net operating expenses and others	**(20)**	(36)
	(61)	(36)
Net finance costs	**(95)**	(58)
Net foreign exchange losses	**(76)**	(122)
Release of exchange gains	**23**	4
Corporate overheads and others	**(23)**	(32)
Taxation	**(50)**	(57)
Non-controlling interests	**(52)**	(61)
Total	**(79)**	(60)

Construction

Average net profit before tax margin was 7.0% of turnover, comparing to 11.6% margin in the previous interim period, largely due to (a) profit upward adjustments taken up in the prior period with respect to certain substantially completed construction projects with relatively lower turnover recognised; (b) intensified market competition; and (c) comparatively lower contract price fluctuation compensation received for government building contracts.

Property

With China's post-COVID reopening, performance of the four shopping malls and the office tower of Chengdu Centropolitan was gradually improved. While rental income was maintained at a stable level, net rental results were much enhanced over the last interim period on tightened control over leasing expenses.

At 30 June 2023, the Group's investment properties were valued at HK$4,010 million. Excluding the effect on the depreciation of the Renminbi against the Hong Kong dollar, in the current interim period, there was a 1.4% gross depreciation of fair value on a portfolio basis.

Net finance costs

The Group's borrowings were predominantly HIBOR based Hong Kong dollar bank borrowings. Whilst the Group's bank borrowings were maintained at a stable level, the surge in HIBOR since June 2022 has caused the substantial increase in net finance costs for the 2023 interim period.

Foreign exchange losses

During the current interim period, the Renminbi registered a 3.2% depreciation against the Hong Kong dollar. This resulted in net foreign exchange losses totalling HK$179 million recorded for the current interim period, of which HK$76 million and HK$103 million were recognised in the condensed consolidated statement of profit or loss and directly in equity respectively, comparing with the foreign exchange losses of HK$122 million and HK$175 million respectively for the last interim period, on a 4.6% depreciation.

Meanwhile, the depreciation of the Renminbi had effectively reduced the corresponding Hong Kong dollar payable amount required for offsetting a Renminbi receivable when they were net settled during the 2023 interim period. Such difference was recognised as a gain in the profit or loss.

ASSETS BASE

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

	30 June 2023 HK$ million	31 December 2022 HK$ million
Total assets	**8,818**	9,109
Equity attributable to owners of the Company	**2,444**	2,629
	HK$	HK$
Net asset value per share	**6.5**	7.0

Total assets of the Group decreased to HK$8.8 billion at 30 June 2023, from HK$9.1 billion at 31 December 2022. The decrease in both equity attributable to owners of the Company and net asset value per share was principally attributable to the 3.2% depreciation of the Renminbi against the Hong Kong dollar during the current interim period, which caused a HK$179 million reduction in equity or a HK$0.48 reduction in net asset value per share.

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

	30 June 2023 HK$ million	**%**	31 December 2022 HK$ million	%
Construction	**2,481**	**28**	2,466	27
Property	**5,736**	**65**	6,012	66
Corporate and others	**601**	**7**	631	7
Total	**8,818**	**100**	9,109	100

The proportion of total assets of each business segment remained stable at 30 June 2023, when compared with that at 31 December 2022.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company decreased to HK$2.4 billion on 30 June 2023, from HK$2.6 billion on 31 December 2022.

Net bank borrowings of the Group, which represented the total bank borrowings, net of bank balances, deposits and cash, amounted to HK$2,009 million on 30 June 2023, as compared with HK$1,601 million on 31 December 2022.

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

	30 June 2023 HK$ million	31 December 2022 HK$ million
Bank borrowings repayable:		
Within one year	**1,756**	1,624
After one year but within two years	**1,178**	38
After two years but within five years	**77**	1,390
Total bank borrowings	**3,011**	3,052
Bank balances, deposits and cash	**(1,002)**	(1,451)
Net bank borrowings	**2,009**	1,601

The net gearing ratio of the Group, calculated as net bank borrowings over shareholders' equity, increased to 82.2% on 30 June 2023, from 60.9% on 31 December 2022, which was mainly caused by (a) the depreciation of the Renminbi against the Hong Kong dollar as mentioned above; and (b) reduced bank balances for working capital usage as reflected in the increasing trade debtors balance by HK$242 million and decreasing trade creditors balance by HK$304 million when comparing to the balances at 31 December 2022.

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 2023, the number of employees in the Group was approximately 2,150 (31 December 2022: 2,013) in Hong Kong and Macau, and 290 (31 December 2022: 286) 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.

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 27 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2023 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 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June 2023 HK$ million (unaudited)	2022 HK$ million (unaudited)
Turnover		**3,790**	2,754
Other income, other gains and losses	4	**(28)**	(85)
Cost of properties sold		**(4)**	(22)
Raw materials and consumables used		**(406)**	(259)
Staff costs		**(458)**	(430)
Depreciation and amortisation		**(30)**	(29)
Subcontracting, external labour costs and other expenses		**(2,675)**	(1,784)
Fair value changes on investment properties		**(61)**	(21)
Finance costs	5	**(107)**	(68)
Share of loss of joint ventures		**(1)**	(1)
Profit before taxation		**20**	55
Taxation	6	**(47)**	(54)
(Loss) profit for the period	7	**(27)**	1
Attributable to:			
Owners of the Company		**(79)**	(60)
Non-controlling interests		**52**	61
		(27)	1
Loss per share	9		
Basic		**HK$(0.21)**	HK$(0.16)
Diluted		**HK$(0.21)**	HK$(0.16)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
	(unaudited)	(unaudited)
(Loss) profit for the period	**(27)**	1
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	**(104)**	(175)
Reclassification adjustments for exchange differences transferred to profit or loss upon deregistration of subsidiaries	**–**	(4)
Item that will not be reclassified to profit or loss:		
Fair value changes of an equity investment at fair value through other comprehensive income	**(3)**	1
Other comprehensive expense for the period	**(107)**	(178)
Total comprehensive expense for the period	**(134)**	(177)
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(185)**	(238)
Non-controlling interests	**51**	61
	(134)	(177)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2023 HK$ million (unaudited)	31 December 2022 HK$ million (audited)
Non-current Assets			
Investment properties		**4,010**	4,199
Goodwill		**18**	18
Other intangible assets		**19**	23
Right-of-use assets		**54**	55
Property, plant and equipment		**33**	35
Interests in joint ventures		**117**	114
Interest in an associate		**24**	–
Financial asset at fair value through other comprehensive income		**27**	30
Financial asset at fair value through profit or loss		**11**	6
Financial asset at amortised cost		**7**	–
Deferred tax assets		**2**	2
Club memberships		**1**	1
		4,323	4,483
Current Assets			
Properties held for sale		**657**	664
Properties under development for sale		**164**	169
Debtors, deposits and prepayments	10	**1,699**	1,474
Contract assets		**854**	764
Amounts due from joint ventures		**64**	68
Amounts due from related companies		**34**	18
Financial asset at amortised cost		**7**	6
Tax recoverable		**14**	12
Restricted bank deposits		**333**	365
Bank balances, deposits and cash		**669**	1,086
		4,495	4,626
Current Liabilities			
Creditors and accrued charges	11	**2,230**	2,274
Contract liabilities		**50**	35
Lease liabilities		**32**	31
Amounts due to joint ventures		**149**	149
Amounts due to related companies		**44**	44
Amounts due to non-controlling shareholders of subsidiaries		**15**	–
Taxation payable		**199**	193
Bank borrowings due within one year	12	**1,756**	1,624
		4,475	4,350
Net Current Assets		**20**	276

	Notes	30 June 2023 HK$ million (unaudited)	31 December 2022 HK$ million (audited)
Total Assets Less Current Liabilities		**4,343**	4,759
Capital and Reserves			
Share capital	13	**373**	373
Reserves		**2,071**	2,256
Equity attributable to owners of the Company		**2,444**	2,629
Non-controlling interests		**289**	304
		2,733	2,933
Non-current Liabilities			
Bank borrowings	12	**1,255**	1,428
Lease liabilities		**25**	26
Defined benefit liabilities		**70**	100
Deferred tax liabilities		**260**	272
		1,610	1,826
		4,343	4,759

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	Actuarial gain and loss	Investment revaluation reserve (Note b)	Other reserve	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
At 1 January 2023	373	-	105	2,037	(3)	(105)	(41)	(20)	283	2,629	304	2,933
Fair value changes of an equity investment at fair value through other comprehensive income	-	-	-	-	-	-	-	(3)	-	(3)	-	(3)
Exchange differences arising on translation of financial statements of foreign operations	-	-	(103)	-	-	-	-	-	-	(103)	(1)	(104)
(Loss) profit for the period	-	-	-	-	-	(79)	-	-	-	(79)	52	(27)
Total comprehensive (expense) income for the period	-	-	(103)	-	-	(79)	-	(3)	-	(185)	51	(134)
Partial acquisition of interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(16)	(16)
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(50)	(50)
At 30 June 2023 (unaudited)	**373**	**-**	**2**	**2,037**	**(3)**	**(184)**	**(41)**	**(23)**	**283**	**2,444**	**289**	**2,733**

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)/ retained profits	Actuarial gain and loss	Investment revaluation reserve (Note b)	Other reserve	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
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	–	–	–	–	–	–	–	–	–	–	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	–	–	–	(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

Notes:

(a) 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 at 1 January 2022 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.

(b) Other reserve of the Group mainly include (i) an amount of HK$231 million (2022: 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 (2022: 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 (2022: 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.

(c) 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	
	2023	2022
	HK$ million	HK$ million
	(unaudited)	(unaudited)
Net cash (used in) from operating activities		
Operating cash flows before movements in working capital	**209**	169
Decrease in properties held for sale	**5**	19
(Increase) decrease in contract assets	**(93)**	127
(Increase) decrease in debtors, deposits and prepayments	**(203)**	141
Increase in contract liabilities	**16**	27
Decrease in creditors and accrued charges	**(17)**	(85)
Movements in other working capital	**(61)**	(8)
Tax paid	**(42)**	(39)
	(186)	351
Net cash used in investing activities		
Acquisition of a subsidiary	**–**	(30)
Investment in an associate	**(24)**	–
Restricted bank deposits refunded	**27**	1
Restricted bank deposits placed	**(7)**	(2)
Other investing cash flows	**(11)**	3
	(15)	(28)
Net cash used in financing activities		
Drawdown of bank borrowings	**471**	1,322
Repayment of bank borrowings	**(506)**	(42)
Repayment of senior notes	**–**	(1,227)
Interest paid	**(101)**	(81)
Dividend paid	**–**	(26)
Other financing cash flows	**(76)**	(45)
	(212)	(99)
Net (decrease) increase in cash and cash equivalents	**(413)**	224
Cash and cash equivalents at the beginning of the period	**1,086**	1,127
Effect of foreign exchange rate changes	**(4)**	(11)
Cash and cash equivalents at the end of the period	**669**	1,340
Analysis of the balances of cash and cash equivalents		
Bank balances, deposits and cash	**669**	1,340

1. Basis of Preparation

The condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Group has prepared the condensed consolidated financial statements on the basis that it will continue to operate as a going concern.

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 2023 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for adoption of certain new and 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 2023.

Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules

The amendments to HKAS 12 introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments are immediately effective upon issuance. The Group has applied the temporary exception immediately upon issue of these amendments and retrospectively; and will disclose known or reasonably estimable information that helps users of the financial statements to understand the Group's exposure to Pillar Two income taxes in its annual consolidated financial statements for the year ending 31 December 2023.

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

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

The Group has not early applied other 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 maintenance – construction, interior fit-out, renovation, maintenance works and provision of building information modelling services 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 – venture capital investment and others

3. Segment Information (Continued)

(a) Reportable segment revenue and profit or loss

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

For the six months ended 30 June 2023

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Revenue				
Revenue from construction contracts	3,661	–	–	3,661
Revenue from property sales	–	7	–	7
Revenue from rendering of services in Hong Kong	1	68	–	69
Revenue from rendering of services in Mainland China	2	12	–	14
Revenue from contracts with customers	3,664	87	–	3,751
Revenue from property leasing	–	39	–	39
Total segment revenue from external customers	3,664	126	–	3,790
Timing of revenue recognition				
At a point in time	–	7	–	7
Over time	3,664	80	–	3,744
Revenue from contracts with customers	3,664	87	–	3,751
Reportable segment results	262	(130)	(13)	119
Segment results have been arrived at after crediting (charging):				
Depreciation and amortisation	(19)	(3)	–	(22)
Interest income	7	4	–	11
Fair value changes on investment properties (note)	–	(61)	–	(61)
Dividend income from an equity investment	–	–	2	2
Finance costs	–	(6)	–	(6)
Share of (loss) profit of joint ventures	–	(3)	2	(1)

3. Segment Information (Continued)

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

For the six months ended 30 June 2022

	Construction and 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
Total segment revenue from external customers	2,608	146	–	2,754
Timing of revenue recognition				
At a point in 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	–	(4)	3	(1)

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 2023

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Reportable segment assets	**2,750**	**5,755**	**942**	**9,447**
Reportable segment liabilities	**2,193**	**730**	**438**	**3,361**

At 31 December 2022

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Reportable segment assets	2,739	6,036	982	9,757
Reportable segment liabilities	2,160	784	470	3,414

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

	Six months ended 30 June	
	2023 HK$ million	2022 HK$ million
Profit before taxation		
Reportable segment results	**119**	146
Unallocated other income and other gains	**24**	1
Unallocated finance costs	**(101)**	(61)
Other unallocated corporate expenses	**(22)**	(31)
Consolidated profit before taxation	**20**	55

3. Segment Information (Continued)

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

	30 June 2023 HK$ million	31 December 2022 HK$ million
Assets		
Reportable segment assets	**9,447**	9,757
Elimination of inter-segment receivables	**(645)**	(662)
Other unallocated assets	**16**	14
Consolidated total assets	**8,818**	9,109

	30 June 2023 HK$ million	31 December 2022 HK$ million
Liabilities		
Reportable segment liabilities	**3,361**	3,414
Elimination of inter-segment payables	**(645)**	(662)
Unallocated liabilities		
– Bank borrowings	**2,840**	2,859
– Taxation and others	**529**	565
Consolidated total liabilities	**6,085**	6,176

4. Other Income, Other Gains and Losses

	Six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
Included in other income, other gains and losses are:		
Other income		
Interest income on financial asset at amortised cost	**1**	–
Other interest income	**11**	11
Government subsidies (note)	**1**	19
Dividend income from an equity investment	**2**	3
Other gains and losses		
Expected credit losses reversed (recognised) on other receivables	**1**	(10)
Exchange loss	**(50)**	(114)

Note:

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

5. Finance Costs

	Six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
Interest on bank and other loans	**99**	56
Interest on senior notes	**–**	5
Interest on lease liabilities	**1**	1
Other borrowing costs	**7**	6
	107	68

6. Taxation

	Six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	**50**	54
The People's Republic of China ("PRC") Enterprise Income Tax	**–**	1
PRC Land Appreciation Tax	**1**	3
	51	58
Deferred taxation	**(4)**	(4)
	47	54

Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax is calculated at 25% (2022: 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. (Loss) Profit for the Period

	Six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
(Loss) 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	**18**	17
Amortisation of other intangible assets	**4**	4
	30	29

8. Dividends

The Board does not recommend the payment of an interim dividend (2022: nil) for the six months ended 30 June 2023.

9. Loss Per Share

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

	Six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
Loss for the period attributable to owners of the Company:		
Loss for the purpose of basic and diluted loss per share	**(79)**	(60)
	Million	Million
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**373**	374

The Company did not have any dilutive potential ordinary shares outstanding during the current and prior period.

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 2023	31 December 2022
	HK$ million	HK$ million
Trade debtors aged analysis (note a):		
Not yet due or within 90 days	**710**	462
91 days to 180 days	**6**	10
181 days to 360 days	**–**	1
Over 360 days	**1**	2
	717	475
Prepayments and deposits	**261**	265
Consideration receivable in respect of disposal of an associate	**4**	29
Other receivables (note b)	**717**	727
Less: allowance for credit losses	**–**	(22)
	1,699	1,474

10. Debtors, Deposits and Prepayments (Continued)

Notes:

(a) Included in the trade debtors are receivables of HK$1 million (31 December 2022: HK$3 million), which are aged over 180 days, based on the date on which revenue was recognised.

(b) Included in other receivables at 30 June 2023 are receivables of HK$533 million (31 December 2022: HK$529 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$130 million (31 December 2022: HK$134 million) carries interest at prevailing market rates. A court in the PRC issued notices to attach the aforesaid property interest to cause the Debtor to settle part of the onshore outstanding receivable in the amount of approximately RMB318 million (approximately HK$345 million) (31 December 2022: RMB318 million (approximately HK$356 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 15(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$345 million (31 December 2022: HK$649 million), which are included in the Group's creditors and accrued charges, is as follows:

	30 June 2023 HK$ million	31 December 2022 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**264**	552
31 days to 90 days	**67**	77
91 days to 180 days	**3**	6
Over 180 days	**11**	14
	345	649
Retention payable	**302**	262
Provision for contract work/construction cost	**1,417**	1,124
Other accruals and payables	**166**	239
	2,230	2,274

12. Bank Borrowings

During the period, the Group raised bank borrowings totalling HK$471 million (2022: HK$1,322 million), repaid bank borrowings totalling HK$506 million (2022: HK$42 million), and obtained new and renewed/extended existing credit facilities totalling HK$1,355 million (2022: HK$1,105 million). New and renewed/extended bank loan facilities of the Group carry interest at variable rates of approximately 5.68% to 8.18% (2022: 1.87% to 4.12%) per annum.

13. Share Capital

	30 June 2023 Number of shares	31 December 2022 Number of shares	30 June 2023 HK$ million	31 December 2022 HK$ million
Ordinary shares of HK$1 each:				
Authorised				
At the beginning and the end of the period/year	**1,000,000,000**	1,000,000,000	**1,000**	1,000
Issued and fully paid				
At the beginning of the period/year	**373,606,164**	374,396,164	**373**	374
Shares repurchased and cancelled	**–**	(790,000)	**–**	(1)
Shares cancelled (note)	**(154,000)**	–	**–**	–
At the end of the period/year	**373,452,164**	373,606,164	**373**	373

Note:

During the year ended 31 December 2022, the Company had repurchased 154,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$1.05 to HK$1.18 per share, for a total consideration of approximately HK$0.2 million, which have not yet been cancelled at 31 December 2022. The shares were subsequently cancelled in January 2023.

14. Capital Commitments

At 30 June 2023, the Group had uncalled capital commitments relating to the venture capital fund amounting to US$1.65 million (approximately HK$13 million) (31 December 2022: US$1.90 million (approximately HK$15 million)).

15. Contingent Liabilities

At 30 June 2023, 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(b) 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 2023, subject to extension after further discussions. The management reasonably believes that further extension will be granted in due time. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$588 million) at 30 June 2023 (31 December 2022: RMB542 million (HK$607 million)) and the related interest amounting to RMB781 million (HK$847 million) (31 December 2022: RMB748 million (HK$837 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 demanding fulfilment of the Company's obligations under the Guarantee by the New Lender and the collateral of the loan. Accordingly, no value has been recognised in the condensed consolidated statement of financial position.

15. Contingent Liabilities (Continued)

(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 2023, if any, will not be more than RMB14 million (31 December 2022: RMB14 million). Following the ease of epidemic in the PRC in early 2023, the management of the Company has resumed the communication with the relevant government authority and are of the view that the exposure should be further reduced or fully exempted.

16. Material Related Party Transactions

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

	Six months ended 30 June	
Nature of transactions	**2023** **HK$ million**	2022 HK$ million
SOCL and its subsidiaries		
Dividend income	**2**	3
Revenue from property management services	**3**	3
Disbursements on cost basis for costs and expenses incurred in the course of performing the property management services	**5**	6
Revenue from maintenance/renovation works	**50**	9
Revenue from smart facilities management services	**1**	–
Rental expenses	**1**	1

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

	Six months ended 30 June	
Nature of transactions	**2023** **HK$ million**	2022 HK$ million
Interest expenses	**5**	6

16. Material Related Party Transactions (Continued)

(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 2023 HK$ million	Six months ended 30 June 2022 HK$ million
Fees	**1**	1
Salaries and other benefits	**11**	11
Bonuses	**11**	15
Retirement benefit scheme contributions	**–**	–
	23	27

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.

(e) The emoluments paid or payable to each of the seven (2022: six) Directors which were included in note (d) above are set out as follows:

For the six months ended 30 June 2023

Name of Director	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Bonus* HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Mr. Lo Hong Sui, Vincent		5	–	–	–	5
Mr. Lee Chun Kong, Freddy		5	2,923	–	133	3,061
Ms. Lo Bo Yue, Stephanie	(i)	158	–	–	–	158
Ms. Li Hoi Lun, Helen	(ii)&(iv)	275	–	–	–	275
Mr. Chan Kay Cheung	(ii)	297	–	–	–	297
Mr. William Timothy Addison	(ii)	260	–	–	–	260
Mr. Lau Ping Cheung, Kaizer	(iii)	43	–	–	–	43
		1,043	2,923	–	133	4,099

16. Material Related Party Transactions (Continued)

(e) (Continued)

For the six months ended 30 June 2022

Name of Director	Notes	Fees	Salaries and other benefits	Bonus*	Retirement benefit scheme contributions	Total
		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)&(iv)	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

* 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

(iii) Mr. Lau Ping Cheung, Kaizer was appointed as an Independent Non-executive Director with effect from 1 June 2023

(iv) Ms. Li Hoi Lun, Helen did not stand for re-appointment as a Non-executive Director upon expiration of the term of her service contract on 27 August 2023

17. Fair Value Measurements of Financial Instruments

At 30 June 2023, 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 assets at fair value through profit or loss represent its investments in (i) 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; and (ii) venture capital fund and its fair value was classified as level 3 fair value measurement and was determined based on the net asset value of the fund. The higher the net asset value, the higher the fair value. There were no material fair value changes in level 3 items for the six months ended 30 June 2023.

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$1,968 million at 30 June 2023, which comprises:

	HK$ million
Receivables	533
Guarantees	1,435
	1,968

The receivables are unsecured, repayable on demand and out of the total outstanding balance, an amount of HK$130 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(b) and 15(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 Board of Directors. Please refer to the announcement of the Company dated 15 October 2021 for the related details.

Any breach of the above obligations will constitute an event of default under the Loan Facility and may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately HK$2,622 million at 30 June 2023.

Interests of Directors and Chief Executive in Securities

At 30 June 2023, the interests of the Directors and chief executive of the Company in the 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

	Number of shares				
Name of Director	**Personal interests**	**Family interests**	**Other interests**	**Total**	**Approximate percentage of issued shares** (Note 1)
Mr. Lo Hong Sui, Vincent ("Mr. Lo")	–	312,000 (Note 2)	236,309,000 (Note 3)	236,621,000	63.36
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	63.27

Notes:

1. Based on 373,452,164 shares of the Company in issue at 30 June 2023.
2. These shares were beneficially owned by Ms. Loletta Chu ("Mrs. Lo"), the spouse of Mr. Lo. Mr. Lo was deemed to be interested in such shares under the SFO.
3. 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 both Mr. Lo and Ms. Lo were discretionary beneficiaries. Accordingly, Mr. Lo and Ms. Lo were deemed to be interested in such shares under the SFO.

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

		Number of shares				
Name of Director	**Name of associated corporation**	**Personal interests**	**Family interests**	**Other interests**	**Total**	**Approximate percentage of issued shares** (Note 1)
Mr. Lo	Shui On Land Limited ("SOL")	–	1,849,521 (Note 2)	4,511,756,251 (Note 3)	4,513,605,772	56.22
Mr. Lee	SOL	81,333	–	–	81,333	0.00
Ms. Lo	SOL	–	–	4,511,756,251 (Note 3)	4,511,756,251	56.20

Notes:

1. Based on 8,027,265,324 shares of SOL in issue at 30 June 2023.
2. These shares were beneficially owned by Mrs. Lo, the spouse of Mr. Lo. Mr. Lo was deemed to be interested in such shares under the SFO.
3. These shares were held by SOCL through its controlled corporations, comprising 2,756,414,318 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 63.27%. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and both Mr. Lo and Ms. Lo were discretionary beneficiaries. Accordingly, Mr. Lo and Ms. Lo were deemed to be interested in such shares under the SFO.

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

Name of Director	Name of associated corporation	Nature of interests	Class of debentures (Note 1)	Amount of debentures held
Mr. Lo	Shui On Development (Holding) Limited ("SODH")	Trust interests	5.75% senior notes due 2023	US$18,300,000 (Note 2)
		Trust interests	6.15% senior notes due 2024	US$12,400,000 (Note 3)
		Trust interests	5.50% senior notes due 2025	US$2,400,000 (Note 4)
		Family interests	5.75% senior notes due 2023	US$2,000,000 (Note 5)
		Family interests	5.50% senior notes due 2025	US$1,400,000 (Note 5)
Ms. Lo	SODH	Trust interests	5.75% senior notes due 2023	US$18,300,000 (Note 2)
		Trust interests	6.15% senior notes due 2024	US$12,400,000 (Note 3)
		Trust interests	5.50% senior notes due 2025	US$2,400,000 (Note 4)

Notes:

1. All the debentures represent the senior notes issued by SODH, which were not convertible into shares of any corporation.
2. These debentures were held by SOI, a wholly-owned subsidiary of SOCL, as to US$17,300,000 and by the Company, a 63.27%-owned subsidiary of SOCL, as to US$1,000,000. 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. Accordingly, Mr. Lo and Ms. Lo were deemed to be interested in such debentures under the SFO.
3. These debentures were held by SOI as to US$11,400,000 and by the Company as to US$1,000,000. Mr. Lo and Ms. Lo were deemed to be interested in such debentures as mentioned in Note 2 above.
4. All these debentures were held by SOI. Mr. Lo and Ms. Lo were deemed to be interested in such debentures as mentioned in Note 2 above.
5. These debentures were held by Mrs. Lo, the spouse of Mr. Lo. Mr. Lo was deemed to be interested in such debentures under the SFO.

Save as disclosed above, at 30 June 2023, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders and Other Persons

At 30 June 2023, 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)	63.23
SOCL	Beneficial owner	235,873,000 (Notes 3, 4 & 6)	63.16
Bosrich	Trustee	235,873,000 (Notes 3, 4 & 6)	63.16
HSBC International Trustee Limited ("HSBC Trustee")	Trustee	235,873,000 (Notes 3, 4 & 6)	63.16
Mr. Sun Yinhuan ("Mr. Sun")	Founder of a discretionary trust	19,185,950 (Notes 5 & 6)	5.13
Right Ying Holdings Limited ("Right Ying")	Interest of controlled corporation	19,185,950 (Notes 5 & 6)	5.13
TMF (Cayman) Ltd. ("TMF")	Trustee	19,185,950 (Notes 5 & 6)	5.13

Notes:

1. Based on 373,452,164 shares of the Company in issue at 30 June 2023.
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 she 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, the spouse of Mrs. Lo, was the founder and one of the discretionary beneficiaries and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. 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 2023, SOCL beneficially owned 236,309,000 shares representing approximately 63.27% of the issued shares of the Company, while Mrs. Lo (the spouse of Mr. Lo), 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 2023, 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 Scheme

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had any share scheme under Chapter 17 of the Listing Rules.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

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 seven members, including two Executive Directors and five 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 2023, including the accounting principles and practices adopted by the Group. It has also considered selected accounting, internal control and financial reporting matters of the Group, in conjunction with the Company's external auditor.

Remuneration Committee

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

Nomination Committee

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

Finance Committee

The Finance Committee is responsible for reviewing the Group's financial strategies, compliance of the finance policy and the bank loan 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 2023, 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 2023.

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

Since the publication of the Company's 2022 Annual Report or the announcements of the appointment of Directors subsequent thereto, the changes in the information of Directors that are required to be disclosed under Rule 13.51B(1) of the Listing Rules are set out as follows:

1. Ms. Li Hoi Lun, Helen stepped down as an Independent Non-executive Director of the Company following expiration of her service contract, and ceased to be the Chairman of the Remuneration Committee of the Company and a member of its Audit Committee, Nomination Committee, Finance Committee and Investment Committee, all with effect from 28 August 2023.

2. Mr. Lau Ping Cheung, Kaizer was appointed as the Chairman of the Remuneration Committee of the Company with effect from 28 August 2023.

Details about the emoluments of the Directors of the Company for the six months ended 30 June 2023 are set out in note 16 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 Directors
Ms. Lo Bo Yue, Stephanie
Mr. Chan Wai Kan, George *

Independent Non-executive Directors
Mr. Chan Kay Cheung
Mr. William Timothy Addison
Mr. Lau Ping Cheung, Kaizer #

Audit Committee
Mr. Chan Kay Cheung *(Chairman)*
Mr. William Timothy Addison
Mr. Lau Ping Cheung, Kaizer #

Remuneration Committee
Mr. Lau Ping Cheung, Kaizer *(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
Mr. Chan Kay Cheung
Mr. William Timothy Addison
Mr. Lau Ping Cheung, Kaizer #

Finance Committee
Mr. Lee Chun Kong, Freddy *(Chairman)*
Mr. Chan Kay Cheung
Mr. William Timothy Addison
Mr. Lau Ping Cheung, Kaizer #
Mr. Chan Wai Kan, George *

Investment Committee
Mr. Lee Chun Kong, Freddy *(Chairman)*
Mr. Chan Kay Cheung
Mr. William Timothy Addison
Mr. Lau Ping Cheung, Kaizer #

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

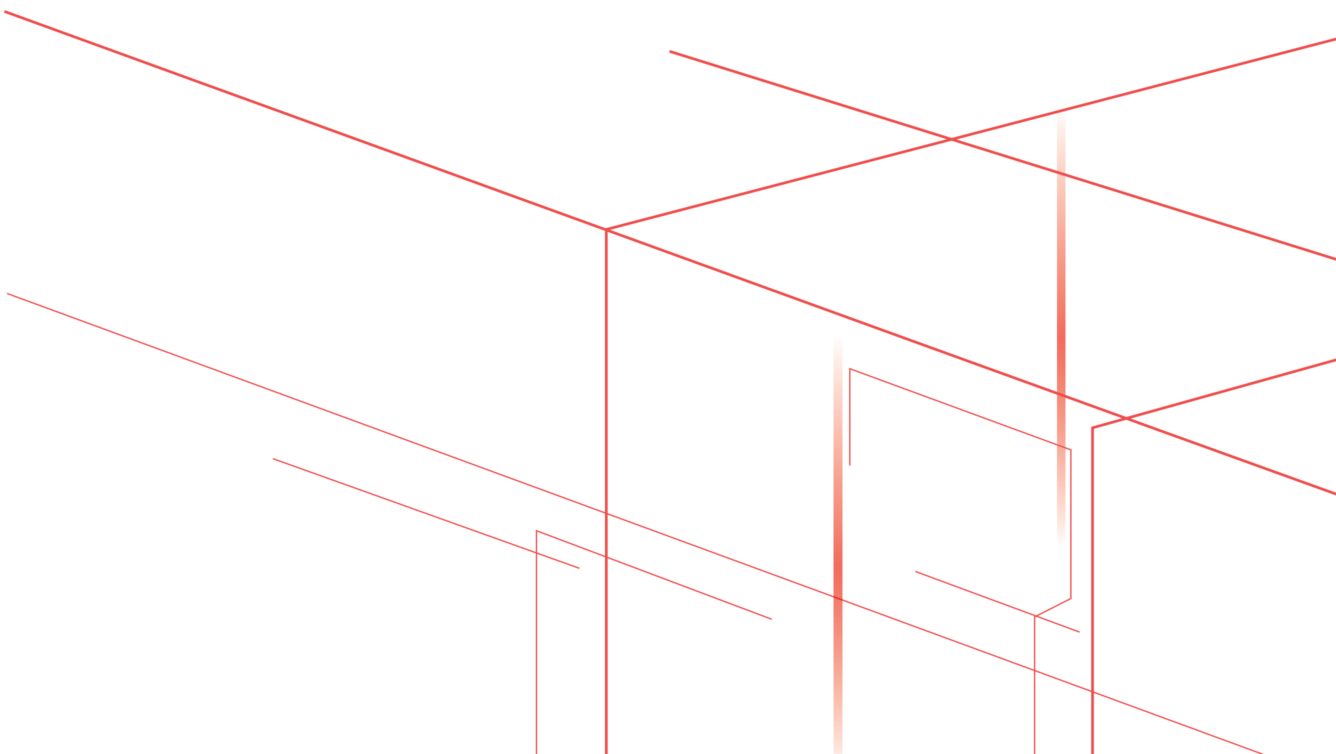
Stock Code
983

Website
www.socam.com

* Appointed as Director and member of the Committee effective 1 September 2023

\# Appointed as Director and member of the Committees effective 1 June 2023

^ Appointed as Chairman of the Committee effective 28 August 2023



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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