瑞安建業
SOCAM DEVELOPMENT
Stock Code : 983

SMART FUTURE

ANNUAL REPORT 2023

COVER STORY

Entering an auspicious time, SOCAM is fast gaining a reputation for our expertise in exploring and implementing the very latest digitalised construction techniques, leading to a smart future that promises heightened efficiency, safety and sustainability.

CONTENTS

ABOUT SOCAM

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

Better Tomorrow 2030

The "Better Tomorrow 2030" blueprint, setting our 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.

OUR 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.

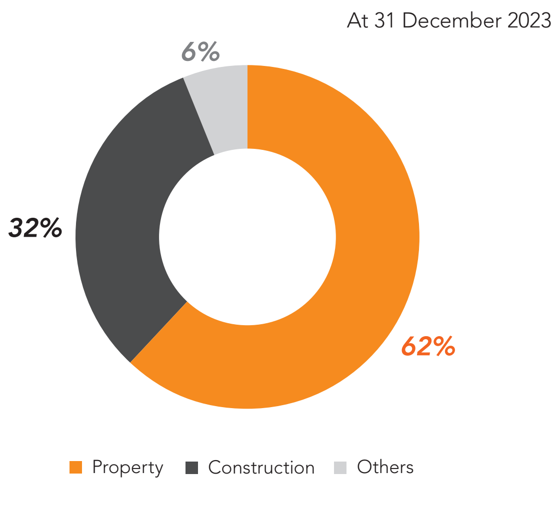
INTEGRITY • QUALITY • INNOVATION • EXCELLENCE

2023 HIGHLIGHTS

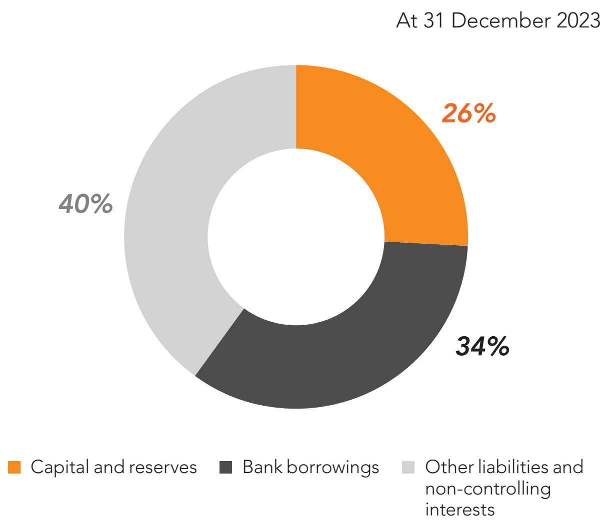
FINANCIAL HIGHLIGHTS

Year ended 31 December HK$ million	2023	2022	2021	2020	2019
Turnover	**8,336**	6,307	5,267	5,670	5,545
Profit (loss) attributable to shareholders	**(155)**	(232)	76	52	7
Basic earnings (loss) per share (HK$)	**(0.41)**	(0.62)	0.20	0.14	0.02
Dividend per share (HK$)	**–**	–	0.07	–	–
At 31 December					
Total assets (HK$ billion)	**9.2**	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$)	**6.35**	7.04	8.72	8.37	7.49
Net gearing	**88.9%**	60.9%	46.9%	50.8%	54.2%

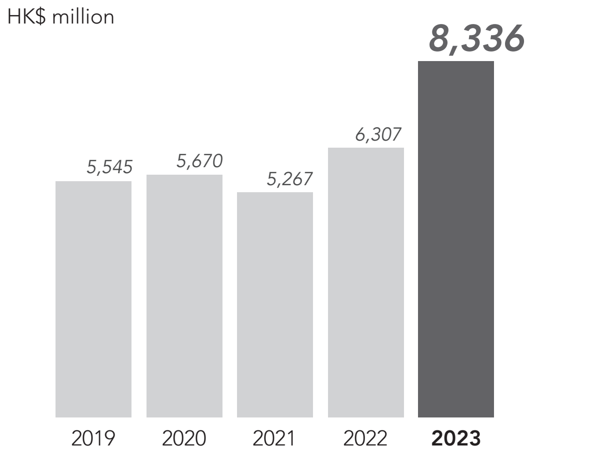
Assets Employed



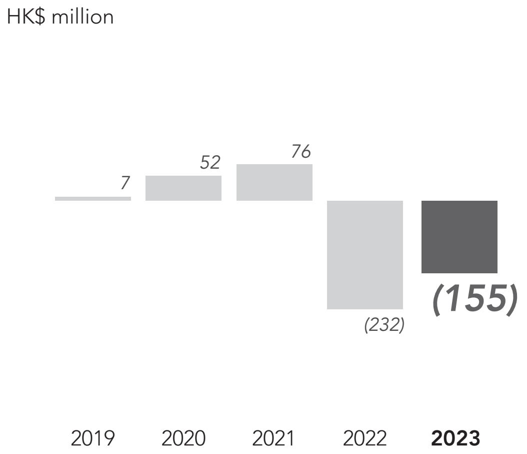
Capital and Liabilities



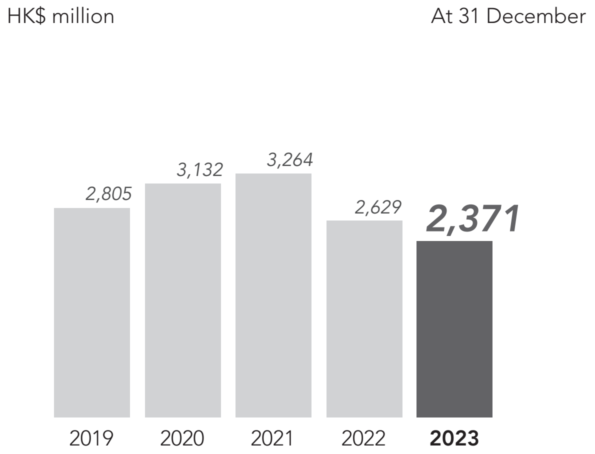
Turnover



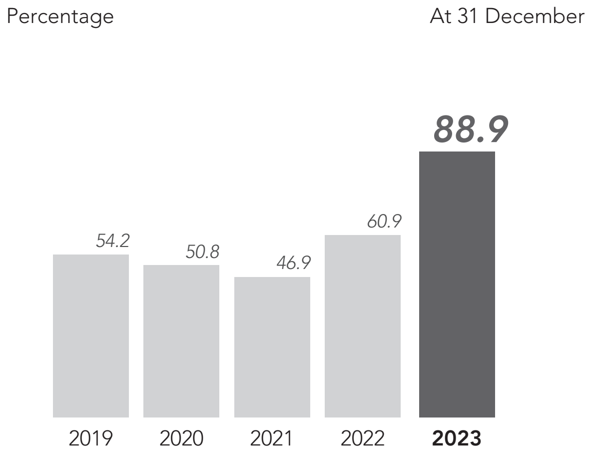
Profit (Loss) Attributable to Owners of the Company



Equity Attributable to Owners of the Company



Net Gearing



MAJOR EVENTS IN 2023

JAN

Completion of Kwu Tung North Multi-welfare Services Complex

First project completed using MiC methods in full scale. 1

MAR

Partnership with Guangzhou Wan You

Formed a partnership with Guangzhou Wan You for the supply of MiC units to our construction projects. 2

APR

Investment in Carnot Innovations

SOCAM invested in an AI-powered solution company that optimises energy consumption of chiller systems.

Interior fit-out Project – "The Wai"

Pat Davie completed the project "The Wai", which opened in July. 3

New Contract Signing

Secured the contract for the design and construction of Western Police Married Quarters, providing 540 units upon completion. 4

JUN

The 35th HSE Annual Target Seminar

HSE Annual Target Seminar was held to engage employees and subcontractors. 5

AUG

MiC Mockup Demonstration

Secretary for Housing witnessed our MiC mock up demonstration at our Training Centre. 6

Shui On Group's Annual Dinner

Celebrate the Group's 50+ anniversary, and moving forward. 7

SEP

New Contract Signing

SOC was awarded the contract of Open space with Public Vehicle Park at Yen Chow Street West, Sham Shui Po, the first of its kind in Hong Kong, which will consist of parking spaces with an automated parking system.

OCT

Set up of BetaBox Ventures

Joined hands with Crystal Investment to establish Betabox Ventures, a new venture capital platform backing PropTech startups. 8

NOV

Project Management Achievement Award 2023

Kwu Tung North Multi-welfare Services Complex won the "Project Management Achievement Award 2023 (Winner)" by the Hong Kong Institute of Project Management. 9

DEC

Public Housing Development Press Conference

A press conference led by the Housing Authority was held at our Anderson Road public housing project (R2-7) to showcase "MiC 2.0" and "4S", a new smart site safety platform. 10

SOCAM x WeiBuild Partnership

SOCAM signed a MOU with WeiBuild Technology for adoption of robots at construction sites. 11

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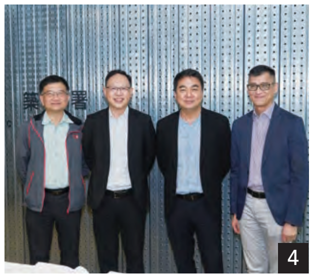
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MAJOR AWARDS AND RECOGNITION

SAFETY

21st Hong Kong Occupational Safety & Health Award

- Bronze Awards:
  - Safety Management System Award
  - 5S Good Housekeeping Best Practice Award
- Excellence Awards:
  - Safety Performance Award (SOBC)
  - Safety Performance Award (SOC)

Construction Industry Safety Award Scheme 2022/2023

- Gold Award: Renovation & Maintenance Works - DTC 9218 Maintenance & Vacant Flat Refurbishment for Kowloon East 2020/2023
- Outstanding Performance in Work-at-height Safety Award: DTC 9218 Maintenance & Vacant Flat Refurbishment for Kowloon East 2020/2023
- Merit Award: Renovation & Maintenance Works – ASD Term Contract TC J517

Occupational Health Award 2022-23

- Joyful@Healthy Workplace Best Practices Award

29th Considerate Contractors Site Award Scheme

Contract Title: Design and Construction of Minor Building/Civil Engineering Works (Band 3) for CLP Power Hong Kong Limited (O.A. 4600008398)

- Awards include:
  - Gold Award - Considerate Contractors Site Award
  - Gold Award - Innovation Award for Safety and Environmental Excellence
  - Merit Award - Outstanding Environmental Management and Performance Award
  - Merit Award - Model Subcontractor
  - Model Project Leader
  - Model Frontline Supervisor
  - Model Subcontractor Frontline Supervisor
  - Model Worker

HKCA Construction Safety Awards

- 2023 HKCA Proactive Safety Contractor Award (SOBC, SOC, PEL)
- Safe Person-in-Charge Award
- Safe Supervisor Award

ENVIRONMENTAL

Green Contractor Award 2022

- Bronze

Hong Kong Awards for Environmental Excellence 2022

- Anderson Road Quarry Site RS-1 (Merit)

Green Building Award 2023

- The Revitalisation of Central Market (Grand)
- Drainage Services Department Office Building at Cheung Sha Wan Sewage Pumping Station (Merit)

Hong Kong Construction Environment Award 2023

- Environment Merit Award (SOBC, SOC)

QUALITY

BCI Award

- Top 10 Contractors Award

Quality Public Housing Construction & Maintenance Awards 2023

- Outstanding Contractor (Fighting Epidemic at sites)
- Outstanding Building Project (New Works Projects)
- Best Site Safety (New Works Projects): Completed Project Site Safety (Building)
- Best Site Safety (New Works Projects): Safety (Innovation)

HKIPM Project Management Achievement Awards 2023

- Category D – Community Service
  - The Design & Construction of a Purpose-built Multi-Welfare Services Complex in Area 29 of Kwu Tung North Development Area (Winner)

CORPORATE

37th International ARC Awards

- Combined Annual & ESG Report (Gold)
- Chairman's Letter (Silver)

21st Hong Kong Occupational Safety & Health Award

- OSH Annual Report Award (Silver)

Caring Company 15+ Years

Good MPF Employer Award

Excellent ESG Recognition Scheme

- Excellent ESG Enterprise of 2022-2023

SportsHour Company Scheme

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

The year 2023 witnessed a convergence of challenges. The global economy saw a slowdown in growth, as it struggled against the currents of geopolitical tensions, supply chain disruptions and faltering investor and consumer confidence. The persistent high interest rates remained a threat to economic expansion, and negatively impacted most businesses around the world.

China's reopening in 2023 prefaced an uptick of its economy and achieved a 5.2% growth in GDP. Despite steady progress having been made in pursuing high-quality development, China's economic recovery in 2023 was unbalanced, with deficiency in domestic demand remaining key concern.

Hong Kong experienced a fiscal deficit for the second consecutive year, but GDP growth resumed as activity in the post-pandemic era normalises. Public housing production continued to expand and presents a golden opportunity for SOCAM to play its role in the overall Hong Kong's economic development.

Capturing Stable Income

The Group continued to post a satisfactory operating performance for 2023, with turnover increasing to HK$8.3 billion, against the HK$6.3 billion for 2022. Our construction business in Hong Kong achieved healthy profitability on a strong order book, while our Mainland retail malls delivered improved leasing results. However, the Group recorded a loss attributable to shareholders of HK$155 million for 2023, which was largely due to the substantial increase in net finance costs to HK$212 million over the year on tightening financial market conditions, and reduction of fair value of our investment properties of HK$133 million.

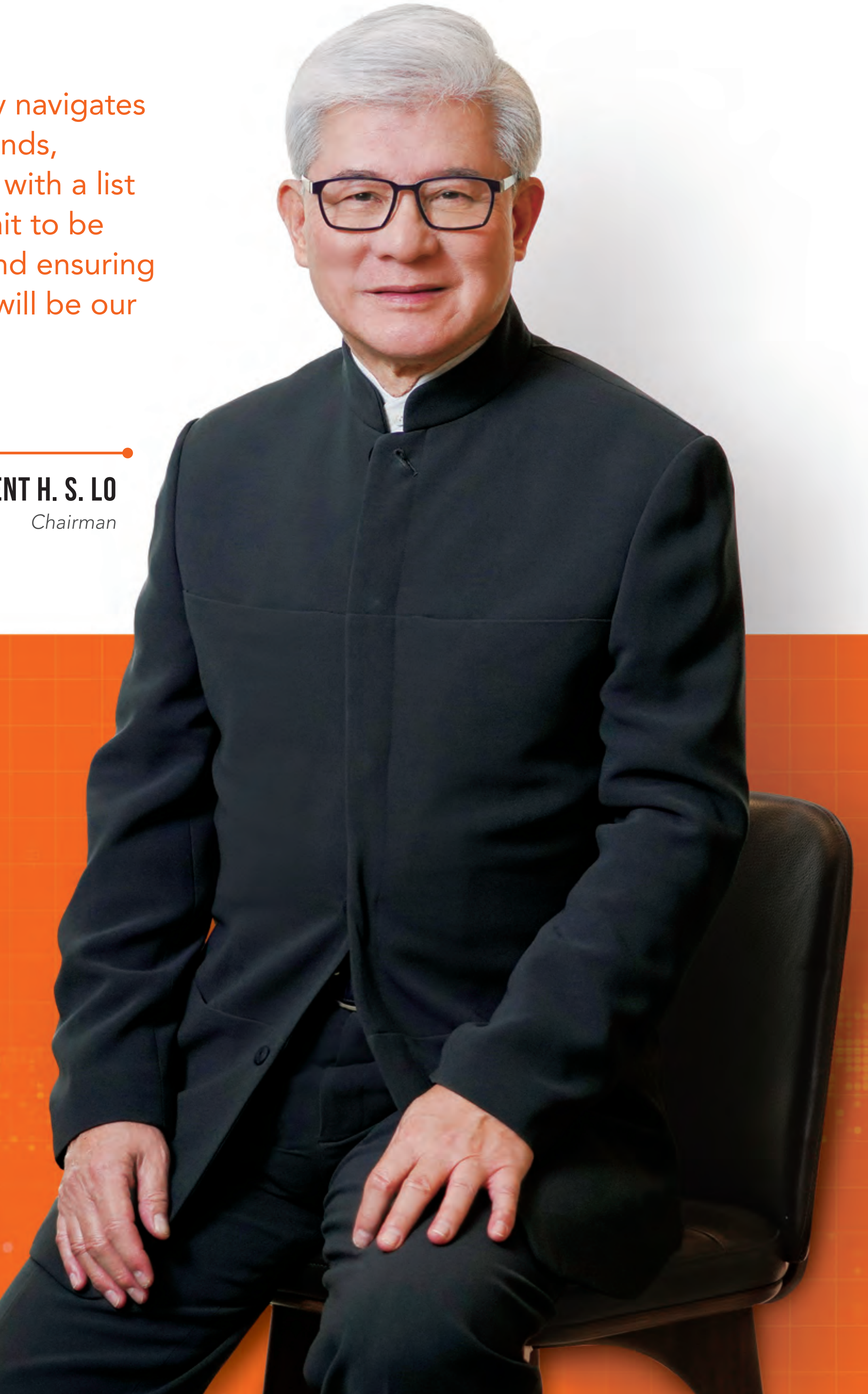
Large-scale building contractors operating in a highly competitive environment run the risk of a fluctuating order book. SOCAM's building maintenance arm benefited from the continuous flow of term contracts in the public sector, and recorded HK$2.8 billion turnover in 2023. Similarly, on the strength of a strong clientele, our interior fitting-out and renovation subsidiary recorded a turnover of HK$1.3 billion during the year. Both provided recurring valuable contributions to our financial performance, given the higher margin and shorter project cycle.

Booming Construction Industry

Hong Kong's construction industry had a good year of recovery in 2023 amid the city's generally improving economy. We saw a noticeable increase in construction output, a solid pipeline of public projects and, more importantly, the HKSAR Government's commitment to forge ahead with the supply of public housing and development of the 'Northern Metropolis'.

As the China economy navigates against strong headwinds, SOCAM, is presented with a list of challenges that await to be addressed. Stability and ensuring good financial health will be our priority for this year.

VINCENT H. S. LO
Chairman



In this highly competitive market, SOCAM expanded its order book, with HK$6.6 billion new contracts secured in 2023, and a further HK$8.9 billion new contracts in the first three months of 2024. These key performance indicators suggest that SOCAM has been on the right pathway for creating a sustainable construction business with exciting growth opportunities.

The Development Bureau's Labour Importation Scheme for the Construction Sector is proving to be a welcome government initiative. SOCAM welcomed its first group of 150 teammates this January. Nevertheless, the Group's primary focus remains on the recruitment and development of young talent to drive forward our smart and safe construction expertise.

Innovation

Over the years, the construction sector in Hong Kong remained resilient, exhibiting continued investment in infrastructure development and sustainable building projects. Environmental, social and governance considerations continue to gain prominence in the industry, driven by increasing awareness of climate action, social responsibility, and good governance practices. Stakeholders are placing greater emphasis on sustainable construction practices, worker safety, energy efficiency and waste reduction.

Our collective efforts in technology have yielded positive results. 2023 marked a milestone in our adoption of Modular Integrated Construction (MiC) methods, with the sign-off of the Kwu Tung North project earlier in the year, and the transitional housing project in Kam Tin, one of the first new-built transitional housing adopting full MiC, in January 2024. The Anderson Road R2-7 project, commissioned by the Hong Kong Housing Authority and currently under construction, is a pioneer public housing project built with MiC. Upon completion in 2025, SOCAM will have completed over 6,860 MiC modules, building 2,500 public housing units and 1,750 residential care places for the elderly. The heightened prowess we have in MiC will present tendering advantages going forward.

Safety

Above all, SOCAM prioritises site safety to protect employees and workers in our daily operations. We do this through intensive training and the rapid development and implementation of Smart Site Safety Systems covering mandated protocols to diminish accidents. SOCAM diligently reappraises all safety concerns as each project progresses, and will take all necessary actions to uphold our firm commitment to work safety.

Addressing Tomorrow's Needs

The adoption of MiC in the delivery of Light Public Housing (LPH) in Hong Kong suggests a viable solution to the lengthening waiting time for those in need of even basic accommodation. Here the HKSAR Government leads the way in land supply and the construction industry must be ready to respond, to support the government's plan to complete 30,000 LPH units by 2027/28.

As sites have now been identified for building 410,000 public housing units, the Group is well-placed to make a significant contribution to the provision of subsidised housing to meet the pressing needs in Hong Kong, an area in which we have 40 years of involvement. Over the last decade we have demonstrated our expertise in the design-and-build of public hospitals and health-care facilities, preparing the Group to capture the opportunities for the two 10-year hospital development plans slated beyond the next decade.

> Above all, site safety is central to everything we do in our daily operations. SOCAM diligently reappraises all safety concerns as each project progresses, and will take all necessary actions to uphold our firm commitment to work safety.

Alliances to Bolster Business Opportunities

Reflection on past achievements can only be short-lived and we must always be looking ahead. The year was a significant year for consolidation of the Group's strategic expansion into establishing secure supply chains. This is a multi-faceted imperative in quality project delivery on-time, and on-budget.

SOCAM developed some strategic partnerships in 2023 as a part of our construction cycle to create value. These include partnership with Guangzhou Wan You in March for the supply of MiC units to our construction projects as project efficiency and quality dictate. The Group has also partnered with a Mainland high-tech enterprise to explore the use of robotics in our business operations.

Further alliances were underway with a view to expanding the Group's expertise in building maintenance and facilities management. In April, the Group invested in Carnot Innovations whose products bring persistent saving in building operating costs using artificial intelligence (AI), and provides big data to optimise energy efficiency and achieve better emission reduction. Carnot reinforces the Group's smart facilities management arm that offers energy saving and decarbonisation solutions to clients.

All these initiatives further underpin SOCAM's comprehensive construction value chain, and the Group's unwavering commitment to integrating sustainability into our business operations.

Board of Directors visited our smart construction sites.

Property Asset Enhancement

The performance of the Group's four malls in China has been buffeted in 2023 by three externalities: changes in consumer behaviours in the post-COVID pandemic era, the explosive growth of online shopping and the fluctuations in returning consumer confidence.

Over the past few years, the Group has strategically re-positioned its retail premises into "Green and Fun Community Malls", adjusting the marketing and leasing strategies to respond to market needs. The strategy started reaping benefits. The Group's occupancy rates, from which leasing income is derived, increased in 2023. This can be ascribed to the upgraded visitor attractions that are vital to driving footfall. Overall, the property portfolio in the Mainland continues to be a lag on our balance sheet and the Group is expanding solutions to give our malls a leaner, greener operational structure, making it a sustainable business going forward.

Prospects Looking Forward

In the recent years, SOCAM secured a solid level of new construction contracts in Hong Kong and Macau. The size of the order book is among the highest in the Group's history, allowing your company to anticipate healthy growth in the coming few years.

SOCAM SECURED A SOLID LEVEL OF NEW CONSTRUCTION CONTRACTS IN HONG KONG AND MACAU. THE SIZE OF THE ORDER BOOK IS AMONG THE HIGHEST IN THE GROUP'S HISTORY

Your company – in the near term – takes a cautious view as to the macro-economic climate. Yet I share the Board's view that within our core business model, and within our areas of operation, there are good reasons for optimism.

As expressed by the Central Government, 'the biggest aspiration of Hong Kong people is to lead a better life, in which they will have more decent housing'. This affirms the HKSAR Government's determination to reduce the waiting list for those in need of acceptable, affordable housing. Despite the temporary faltering of the local economy, public sector construction activity will only accelerate in the immediate years ahead. SOCAM has the credentials and experience in this construction sector to more than play its part. Our safety record, sustainability practices and the wider adoption of technology are testament to our commitment.

The visionary initiative to create a 'Northern Metropolis' will inevitably take time to move from planning to construction stage. Yet on completion, it will become a hi-tech hub for the Greater Bay Area and will certainly include plans for community and healthcare facilities. Together with public housing, these are projects where the Group has recognised renown.

2024 is the major election year around the world. Globally, the complex geopolitical backdrop will put more onus on domestic activities to solidify growth in China. As the China economy navigates against strong headwinds, SOCAM, like many other businesses, is presented with a list of challenges that await to be addressed. Stability and ensuring good financial health will be our priority for this year.

Some Words of Thanks

In closing, I would like to express my heartfelt gratitude to the Board, and am pleased to welcome three new Directors since last summer, Mr. Kaizer Lau, Mr. Louis Wong and Mr. George Chan, adding diverse experience in construction and finance. I would also like to thank Ms. Helen Li and Mr. Timothy Addison, who vacated as Independent Non-executive Directors since serving the Board from 2008 and 2016 respectively, for their immense contributions over the years.

My best wishes also go out to all staff who have been with us throughout the turbulent times. We are entering more auspicious times as SOCAM embraces a new era of proficiency in the smart future of construction. The Group is dedicated to contributing to the HKSAR Government's affordable housing pledges so as to bring meaningful impacts to the Hong Kong society as a whole.

Vincent H. S. Lo
Chairman

Hong Kong, 27 March 2024

MAJOR PROJECTS

> “COVID pandemic has accelerated changes. Our expertise in design-and-build, and our ability to apply innovative technologies and promote digitalisation, not only testify to our strength, but also give us an edge in this competitive market.”

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INSTITUTIONAL AND COMMERCIAL BUILDINGS

1. **Kong Wan Fire Station**
   A Design and Construction project expected to complete in 2026.

2. **Drainage Services Department Building**
   A Design and Construction project scheduled for completion in 2025.

3. **Yen Chow Street Public Vehicle Park**
   The first of its kind in Hong Kong, which will consist of parking spaces with an automated parking system.

PUBLIC HOUSING AND OTHER DEVELOPMENTS

4 Western Police Married Quarters
A Design and Construction contract from ASD, providing 540 units upon completion in 2027.

5 Public Housing Development at Anderson Road
A pioneer public housing project adopting MiC, offering 1,410 public housing units when fully completed in 2025.

6 Lai Chi Kok Reception Centre
A Design and Construction redevelopment project including construction and renovation, scheduled for completion in 2028.

7 Public Housing in Sheung Shui
Two public housing projects providing a total of 3,019 public housing units upon completion in 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

Our strategy is to accelerate our revitalisation through expanding core business and capturing stable income, creating greater value for our shareholders in the long-term.

FREDDY C. K. LEE
Chief Executive Officer

BUSINESS REVIEW

SOCAM's strategy is to accelerate our revitalisation through expanding core business and capturing stable income, with the objective of creating greater value for our shareholders. Riding on the public sector construction boom in Hong Kong, SOCAM's construction business recorded continued profitability. It made notable progress on its construction projects, and saw substantial increase in turnover, while maintaining a strong order book. In the Mainland, the property business recorded improvement in both leasing income and occupancies in its rental properties.

The Group's turnover for 2023 increased significantly by 32.2% to HK$8.3 billion, from HK$6.3 billion for 2022. Despite the continued profit contribution from the construction business, it reported net loss attributable to shareholders of HK$155 million for 2023, compared with the HK$232 million loss for 2022. The loss for 2023 was largely due to the substantial increase in net finance costs on tightening financial market conditions to HK$212 million, from HK$138 million in 2022, and the reduction of fair value of Mainland investment properties of HK$133 million, in comparison with HK$100 million for 2022.

MARKET ENVIRONMENT

With China's post-COVID reopening since December 2022, the economies of the Group's principal markets saw continued recovery. China's GDP achieved 5.2% year-on-year (YoY) growth in 2023, considerably higher than the 3.0% expansion in 2022, and was in line with the Central Government's 2023 target of around 5%. The GDP in Hong Kong rebounded by 3.2% YoY in real terms in 2023, after contracted by 3.7% in 2022. In Macau, the GDP experienced an astounding 80.5% YoY growth in real terms in 2023, following a 26.8% shrinkage in 2022.

Amid the increasingly complex international circumstances, China's economy has been on a trajectory of steady but uneven recovery. In 2023, industrial production recovered gradually and retail sales went up, while employment stayed generally stable and consumer prices edged up mildly. However, exports and imports remained sluggish, domestic demand rebounded but has been relatively weak, and investment in real estate development declined markedly. During the year, the Central Government launched a slew of policy measures in a move to shore up the lacklustre post-pandemic recovery.

The Hong Kong economy returned to growth in 2023, with the rise in private consumption and inbound tourism. The improved labour market and the various government initiatives to boost consumer sentiment, have rendered solid support to private consumption.

The HKSAR Government continues to press ahead with the increase in the supply of public housing, and improvement of the public health infrastructure to address these pressing issues of the community. It also plans to take forward various infrastructure projects, notably development of the Northern Metropolis and Kau Yi Chau Artificial Islands, for the long-term development of the city. In the coming years, total construction expenditure in Hong Kong, including both public and private sectors, is forecast to reach HK$300 billion each year, creating significant works opportunities going forward.

In Macau, the remarkable economic growth was primarily propelled by the recovery in the tourism and gaming sectors, thanks to the revival of visitor arrivals after lifting of anti-epidemic measures, and upsurge in construction investment and domestic demand.

CORPORATE INITIATIVES AND DEVELOPMENTS

Optimising Business Opportunities

Modular Integrated Construction (MiC) methods are poised to gain wider adoption in the public and private sector construction. SOCAM has been looking for suitable manufacturers 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 modules to our construction projects in Hong Kong, as a strategic step forward.

The Group has also identified a number of partnerships as part of our strategy. In April 2023, the Group invested in Carnot Innovations (Carnot), 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 and other suitable energy saving solutions providers 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. The Group continues to identify attractive business opportunities to further extend our market coverage. PEL is applying to the Urban Renewal Authority for registration under the Integrated Building Rehabilitation Assistance Scheme for providing building maintenance services to aged and dilapidated buildings, in the wake of the surging number of incidents involving the spalling of concrete from aged building facades recently.

Building of Light Public Housing

As a strategic initiative to fill the short-term gap of the public housing supply, the HKSAR Government plans to 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. Standardised simple design and the MiC methods will be adopted to construct LPH units expeditiously.

In March 2023 and February 2024, the Legislative Council approved the HK$14.9 billion and HK$9.8 billion funding for building 17,000 and 13,000 LPH units respectively. SOCAM has identified business partners to tap into this market segment in support of the Government's pledge. In addition, to enhance our competitiveness in tendering for the management contracts for completed LPH projects, our property management subsidiary will join forces with appropriate non-government organisations to capture the business opportunities arising from this market.

Two public housing projects in Sheung Shui

CONSTRUCTION

The Group is dedicated to contributing to the HKSAR Government's affordable housing pledges, to bring meaningful impacts to the Hong Kong society as a whole.

MARKET REVIEW

Alongside the gradual recovery of the Hong Kong economy, construction activities increased further. Market competition for public works contracts remained intense. The labour market stayed tight, with the unemployment rate of construction sector decreasing from 4.9% in December 2022 to 3.7% in December 2023.

The housing and healthcare issues in Hong Kong are among the top concerns of the community. As stated in the Chief Executive's Policy Address in October 2023, the HKSAR Government has identified sufficient land for developing about 410,000 public housing units, which exceed the projected demand for 308,000 units for the next 10 years, from 2024/25 to 2033/34. In addition to the transitional housing, about 30,000 LPH units will be completed by 2027/28 to help alleviate the severe

Profit

HK$413 million

(2022: HK$541 million)

Turnover

HK$8.1 billion

(2022: HK$6.0 billion)

Profit margin

5.1%

(2022: 9.0%)

In line with the vision of smart city development, the vehicle park will integrate an automated parking system

shortage of supply in the coming five years. The Private Subsidised Sale Flat – Pilot Scheme has also been launched, with release of tenders planned from 2023/24.

The HKSAR Government proceeds with the HK$200 billion first ten-year hospital development plan (2017-2026) at full steam, and presses ahead with the planning of the HK$300 billion second ten-year hospital development plan (2026-2035), in a bid to meet the projected demand for public healthcare service up to 2036.

The development of the Northern Metropolis, spanning across 20 years, will be a new engine for Hong Kong's future growth. Upon full development, this new international innovation and technology (I&T) city will provide, among others, about 500,000 new housing units and accommodate a population of about 2.5 million, and will forge integration of Hong Kong into the overall development of the country as well as the GBA. The HKSAR Government also plans to create a new central district on the Kau Yi Chau Artificial Islands, characterised by liveable, smart and green elements.

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.

Opportunities and challenges go hand in hand. The construction industry has been facing an acute manpower shortage. In June 2023, the HKSAR Government announced the implementation of the labour importation scheme for the construction sector. SOCAM obtained approval from the Development Bureau for the labour importation, and the first batch of around 150 imported labour arrived in Hong Kong in January 2024, and 400 more will join our workforce, in batches, in the coming few months.

In Macau, the six casino operators secured renewal of their gaming licences for another ten years from January 2023, and pledged to invest a total of MOP118.8 billion predominantly in non-gaming projects, including convention and exhibition facilities, as part of the SAR's economic diversification strategy. The building construction and fitting-out market in Macau is expected to thrive in the coming years.

ADOPTION OF CONSTRUCTION TECHNOLOGY

SOCAM pressed forward with the upgrade of its information technology infrastructure and digitalisation, and has stepped up wider application of advanced technologies in its construction projects, to uplift operational efficiency, enhance quality and safety and reduce cost. While significant progress has been made in utilising construction technologies over recent years, we have also increased investment in nurturing our Building Information Modelling (BIM) team and expanding the MiC capacity, as well as the use of artificial intelligence (AI) and robotic equipment in the construction processes.

Our capabilities are witnessed in the Kwu Tung North project, completed in January 2023 for the Architectural Services Department (ASD), that adopted MiC methods in full scale and integrated BIM and other advanced technologies over the entire project lifecycle. It is a pioneer project setting a new benchmark for its kind in Hong Kong.

SOCAM is, among the early movers, best equipped to respond to the HKSAR Government's policy to adopt construction innovations and technologies to accelerate housing production. The public housing development at Anderson Road Quarry Site R2-7 is the first project of the Hong Kong Housing Authority (HKHA) that applies the MiC approach entirely, which will provide 420 subsidised sale flats in late 2024. During the construction process, SOBC makes use of smart site safety system (4S) and digital management platform, which allow the HKHA and our project team to monitor work progress and site safety closely, and provide real-time information on the logistics tracking and on-site installation of the MiC modules. It also plans to employ a number of construction robots for plastering, skim coating, painting, and material delivery and inspection as well as robotic welding arm and exo-skeleton. These advanced technologies can enhance quality, safeguard site safety, cut down construction time and labour-intensive processes, and help reduce waste and achieve environmentally friendly construction.

SAFETY

SOCAM strives to make our project sites safe. We have widely adopted technologies including digital access controls, face recognition, smart helmet and AI-assisted safety monitoring system at construction sites in monitoring safety hazards, complemented by virtual reality safety training for the construction workers. Over the years, our Construction Division recorded accident rate substantially below the industry average in Hong Kong. In 2023, we logged an accident rate of 3.3 cases per 1,000 workers.

Immediately following the fatal incident in March 2023 at SOBC's public housing project at Anderson Road Quarry Site RS-1, 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 training and stringent guidelines and in-house safety rules.

Sadly, on 21 March 2024, another fatal incident occurred at Shui On Joint Venture's construction site of the Kwai Chung Hospital (Phase 2) Redevelopment project. The joint venture and relevant government departments are currently investigating the cause of this accident. The Group will provide assistance to the deceased's family, and will do its utmost to take prompt and necessary actions to drive such incidents down to the barest minimum.

Nevertheless, during the year our persistent efforts in regard to site safety and environmental protection continue to earn us industry recognitions. The Group's construction companies received a number of awards from the Hong Kong Construction Association, Labour Department, Development Bureau, Construction Industry Council and Occupational Safety and Health Council, in recognition of their performances in various areas.

SAFETY

Overriding all else, SOCAM prioritises site safety in our daily operations. SOCAM's rapid adoption of smart site safety system demonstrates our dedication to safeguard the lives and well-being of our employees and workers.

SOCAM's Board and senior management give total support to site safety

OPERATING PERFORMANCE

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

The business recorded a turnover of HK$8.1 billion for 2023, an upsurge of 33.8% from HK$6.0 billion for 2022. Yet, it reported a profit of HK$413 million for 2023, a 23.7% decline against the profit of HK$541 million for 2022, largely attributable to the shortfall in the contract price fluctuation adjustments receivable from the clients for the year resulting from the significant decline in the market prices of steel products as supply recovered after the pandemic amid weak global demand, while the profit in the prior year was lifted by the increased contributions from completed projects. Pre-tax profit margin dropped to 5.1% in 2023, from 9.0% in 2022.

As a result of the accident in March 2023, HKHA imposed regulatory actions against SOBC, whereby SOBC was suspended from tendering for HKHA's new works for six months until September 2023. The Group stepped up its focus on the tendering opportunities in other government contracts, including the LPH projects, during the period concerned. SOBC has resumed tendering for HKHA's new works after the suspension was lifted in early October.

In 2023, the Group was awarded new construction, maintenance, fit-out and renovation contracts in Hong Kong and Macau worth a total of HK$6.6 billion, as compared with the HK$7.9 billion awarded in 2022. As at 31 December 2023, the gross value of contracts on hand was HK$26.7 billion and the value of outstanding contracts to be completed was HK$15.7 billion, in comparison to HK$24.4 billion and HK$16.2 billion respectively as at 31 December 2022.

In the first quarter of 2024, the Group secured a total of HK$8.9 billion new contracts, lifting its workload to a record high level in recent years. The strong order book will help ensure healthy growth in turnover, profit and cash flow in the coming few years. More details of the new contracts secured during the year and after the year-end will be provided under the respective companies below.

In general, the Group's construction projects expanded and continued to proceed well and on schedule. Details of the major construction projects in progress as well as those completed during the year will be provided under the respective companies below.

SHUI ON BUILDING CONTRACTORS LIMITED AND PACIFIC EXTEND LIMITED

SOBC ranks number one on the Building Performance Assessment Scoring System (PASS) of the HKHA, which accredits SOBC's reliability and capability to deliver quality, timely and safe construction services consistently in the HKHA's public housing programme.

SOBC and PEL secured new construction and maintenance contracts in a total amount of HK$1.5 billion in 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 ASD is responsible (HK$570 million);
- a 4-year term contract for the design and construction of minor works to government and subvented properties on Hong Kong Island, Lantau Island and Outlying Islands (South) for which the ASD is responsible (HK$811 million); and
- refurbishment works on the Document Centre and external walls of various buildings, and footbridge replacement at the Black Point Power Station of CLP Power Hong Kong Limited (CLP) (HK$47 million).

During the year, apart from the new contracts, SOBC and PEL continued to make 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 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;

Elderly residents started to move into the Kwu Tung North Multi-welfare Services Complex in August 2023

- 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; and

- the term contract for maintenance, improvement and refurbishment works for buildings at the Hong Kong International Airport for the Airport Authority.

SOBC and PEL completed the following major contracts during the year:

- the design and build of transitional housing at Kam Tin, Yuen Long for the New Territories Association of Societies (Community Services) Foundation, which provides 1,020 housing units and amenity facilities;

- four 3-year term contracts for maintenance, improvement and vacant flat refurbishment works for public housing estates in designated districts for the HKHA; and

- a 3-year term contract for maintenance, improvement and vacant flat refurbishment works for properties managed by the district maintenance offices in designated districts for the HKHA.

Subsequent to the year-end, SOBC secured from CLP two contracts for the design and construction of minor building/civil engineering works at CLP's premises, both for a term of three years, plus two years (optional) (HK$900 million in aggregate). A minor works 3-year term contract for buildings and lands and other properties for which the ASD is responsible in Hong Kong (HK$900 million) was secured.

SHUI ON CONSTRUCTION COMPANY LIMITED AND SHUI ON JOINT VENTURE

SOC was awarded new contracts in a total amount of HK$3.8 billion in 2023, which included:

- the design and construction of Western Police Married Quarters for the ASD (HK$1,935 million), which will provide three quarters blocks offering a total of 540 units, when completed in 2026. The MiC method and the latest construction technologies will be extensively adopted in this contract to enhance productivity and construction safety;

- the design and construction of an integrated development with an open space garden and a public vehicle park in Sham Shui Po for the ASD (HK$731 million); and

- the design and construction of a new divisional fire station cum ambulance depot in Wanchai for the ASD (HK$1,137 million).

During the year, 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.

After the year-end, SOC secured the contract for the design and construction of Lai Chi Kok Reception Centre for the ASD (HK$3,908 million) and the main contract for the construction of Teaching–Research Complex for The Chinese University of Hong Kong (HK$2,938 million).

PAT DAVIE LIMITED

PDL continues to be very active in the highly-competitive fit-out and refurbishment markets of both Hong Kong and Macau. In 2023, it secured new contracts with an aggregate value of HK$1.3 billion across the institutional, commercial and hospitality sectors, and continued to contribute profits and steady cash flow to the Group.

The major contracts secured by PDL during the year included:

- the fire suppression systems and building modification works at the Departures Immigration Hall in Hong Kong International Airport Terminal 1;

The transitional housing project in Kam Tin was completed

- interior fit-out works for L7 Food Hub for Third Runway and Apron Works at Hong Kong International Airport;
- interior fitting out of lift lobbies, clubhouse, swimming pool and changing room of the residential and commercial development at No. 53 Kwun Tong Road;
- addition and alteration, fitting-out and building services works on the Atrium Link, Clubhouse and toilets in various buildings in Hong Kong Science Park;
- boarding gate transformation works at Midfield Concourse in Hong Kong International Airport Terminal 1;
- toilet enhancement works at Elements for MTR Corporation Limited;
- refurbishment works on mass gaming floor and Covent Garden in The Londoner, Macau;
- renovation works on the atrium, shopping arcade and designated areas in One Central Macau for Hongkong Land Limited and Shun Tak Holdings Limited; and
- fitting-out works on VIP West Pavilion South for Galaxy Resort & Casino in Cotai City, Macau.

Amidst a challenging business environment, PDL performed well, and managed to deliver projects on schedule and within budget. Contracts worth a total of HK$972 million were completed during the year. 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 in Hong Kong; and fitting-out works on VIP West Pavilion South for Galaxy Resort & Casino in Macau.

After the year-end, PDL was awarded new contracts totalling HK$200 million, including the contract for the enhancement works for communal facilities in the Advanced Manufacturing Centre at Tseung Kwan O Innopark, a hub for smart manufacturing; and interior fitting-out works of Hong Kong Cyberport Management Company Limited.

SMART FACILITIES MANAGEMENT (SFM) SERVICES

During the year, NetZo completed the implementation of 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%.

In March 2023, SOCAM and Shui On Land (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. The Group completed upgrade of the lighting systems with energy-efficient solutions, conducted facilities enhancements to the HVAC systems, and commissioned AI-assisted waste discharge management system and AI video analytics solutions for the projects of SOL in Shanghai, Wuhan and Foshan.

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.

Pat Davie completed interior fit-out works for "W Macau, Studio City"

The repositioning of our malls to "Green and Fun Community Mall"

PROPERTY

In response to the rapidly evolving new normal, the Group continued to roll out asset enhancement initiatives, optimised the operations and revitalised the leasing and marketing strategies. The repositioning of our malls to "Green and Fun Community Mall" is expected to remain conducive to the development of the business going forward.

MARKET REVIEW

In Mainland China, retail sales of consumer goods increased by 7.2% YoY to reach RMB47.1 trillion in 2023, buoyed by a recovery in domestic spending following the lifting of COVID-19- related restrictions towards the end of 2022, coupled with higher private consumption as households' income rose in tandem with the economic recovery. Online retail sales for 2023 continued to grow steadily.

Despite the rebound in local spending, domestic demand remains relatively weak. The pandemic-damaged corporate and personal balance sheets, overhanging risk in the real estate sector alongside falling home prices, concerns over job prospects and high youth unemployment contribute to the faltering consumption sentiment.

Loss

HK$141 million
(2022: HK$130 million)

Turnover

HK$264 million
(2022: HK$275 million)

Leasing income

HK$102 million
(2022: HK$99 million)

After three years of the COVID pandemic, we saw dramatic shifts in consumer behaviour and acceleration of the digital transformation of the Mainland's economy, impacting profoundly the retail and commercial leasing sector, among others. The online behaviour of Mainland consumers span all spheres of life, from working to shopping, learning, entertainment, travelling and others. In the past few years, the emerging livestreaming e-commerce, a new online shopping platform, witnessed explosive growth. The 'stay-at-home economy' is undergoing development at a tremendous pace amid the evolution of the Mainland's digital landscape.

In response to the rapidly evolving new normal, the Group continued to roll out asset enhancement initiatives, optimised the operations and revitalised the leasing and marketing strategies. The repositioning of our malls to "Green and Fun Community Mall" is expected to remain conducive to the development of the business going forward.

OPERATING PERFORMANCE

The retail property market in Mainland China presented a mixed picture. Despite noticeable increase in customer footfall in all our shopping malls, the general consumption sentiment stayed relatively weak. In addition, the "Double Reduction" policy continued to drag on the leasing performance of our rental properties. Yet, our efforts on repositioning our retail premises reaped benefits and have enabled us to achieve an increase in leasing income and higher occupancy rates for the year.

The Group's property business recorded a loss of HK$141 million for 2023, compared with the loss of HK$130 million for 2022, mainly attributable to valuation and impairment losses, net of deferred tax provision, of its property portfolio of HK$133 million and HK$105 million respectively. Total turnover for 2023 amounted to HK$264 million, comprising leasing income of HK$102 million, sales revenue of HK$12 million, and Hong Kong property management services income of HK$150 million, in comparison with total turnover of HK$275 million for 2022.

Property Portfolio

As of 31 December 2023, the Group owned six projects in the Mainland, comprising a total gross floor area (GFA) of 396,100 square metres, of which 379,200 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	–	–	7,400	18,300
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	29,100	–	30,500
Total		**10,900**	**36,300**	**218,900**	**130,000**	**396,100**

* The GFA shown excludes sold and delivered areas.

The property portfolio of the Group at 31 December 2023 mainly consisted of the following:

(a) a shopping mall, an office tower and car parking spaces in Chengdu Centropolitan, which is a large-scale mixed-use development situated in Chengdu's CBD;

(b) a shopping mall and car parking spaces in Chongqing Creative Concepts Center, which is a composite building close to the busy Jiefangbei Square in the heart of Chongqing;

(c) a shopping mall and car parking spaces in Shenyang Project Phase I, which is a large-scale mixed-use complex located on the "Golden Corridor" in Shenyang;

(d) a European-style outlet shopping centre in Tianjin Veneto Phase 1 located near Tianjin's Wuqing Station on the Beijing-Tianjin intercity railway line; and

(e) retail shops and SOHO units in Tianjin Veneto Phase 2, adjacent to Tianjin Veneto Phase 1.

LEASING PERFORMANCE

In spite of the post-COVID economic recovery, the leasing market in 2023 was filled with considerable challenges. Total leasing income amounted to HK$102 million for 2023, increased slightly from HK$99 million for 2022.

Occupancy Rates of Retail and Office Properties in Mainland China:

		Occupancy Rate	
Project	**Total GFA** (sq.m.)	**31 December 2023**	31 December 2022
Chengdu Centropolitan			
Retail	43,000	**87%**	71%
Office	33,300	**82%**	78%
Chongqing Creative Concepts Center			
Retail	21,000	**95%**	82%
Shenyang Tiandi			
Retail	62,200	**92%**	93%
Tianjin Veneto Phase 1			
Retail	63,600	**72%**	69%

In anticipation of the pandemic-led impact on consumer behaviour, we continued to adjust our business and marketing strategies, revisit tenant mix and refine our offering to the market, with due regard to the specific circumstances of each of our shopping malls. The disciplined execution of our strategies, coupled with our asset enhancement initiatives, have enabled us to achieve improvement in leasing performance.

The mall in Chongqing Creative Concepts Center exemplifies the dramatic result of our strategic initiative to reposition it under the theme of 'health and wellness' over the past few years, sustaining high occupancy from the latter half of 2023 on growing tenant demand. In Chengdu Centropolitan, the occupancy rate, customer footfall and sales turnover of the mall were considerably lifted by the opening of the cinema in early 2023.

Occupancy rates of our malls generally increased in 2023

Festive celebrations at Shenyang Tiandi

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 also upgraded the smart facilities for added convenience, and applied the latest anti-virus technology in our malls to further improve the health and wellbeing of our tenants and customers, while raising energy efficiency and reducing operating cost.

As the daily lives of people returned to normalcy, dynamic promotional events revolving around "green and fun" were organised in all of our community malls over the year. Interactive dramas, experience platforms, fun games, pet-friendly environment, waste recycling corners and new amusement facilities for children, among others, have helped to engage customers and boost business turnover of our tenants. Introducing more targeted marketing activities going forward will drive customer footfall further that leads to increase in our leasing income which, in turn, is an imperative of realising the potential value of our retail properties.

Property Sales

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

The Group recognised revenue of HK$12 million and loss of HK$3 million from property sales for 2023, compared with HK$34 million revenue and HK$9 million loss for 2022.

The COVID-19 pandemic dampened the investment sentiment for commercial properties. In this first year of the post-pandemic recovery of the Mainland economy, exacerbated by the downturn in the housing market, the buyer sentiment remained weak. The gradual improvement in retail sales and foot traffic in Tianjin Veneto will help improve the sales of the inventory of this project.

Property Management

In 2023, Pacific Extend Properties Management Limited (PEPM) proceeded well with its various property and facilities management contracts for the HKHA, Urban Renewal Authority, various government departments and other clients in Hong Kong.

Over the past few years, PEPM implemented the strategic plan to diversify from managing residential estates towards facilities management of other premises and projects. In 2023, it secured new contracts with an aggregate value of HK$213 million, and achieved a more balanced portfolio. The major contracts secured during the year included:

- a 3-year contract from the Civil Aviation Department for the provision of facility management services to the Department's premises;

- a 3-year contract from the Leisure and Cultural Services Department for the provision of customer and supporting services to the East Kowloon Culture Centre;

- a 4-year contract from the HKHA for the provision of property management agency services to Shui Chuen O Plaza and non-domestic premises and carparks in Shui Chuen O Estate in Shatin;

- a 3-year contract from the HKHA for the provision of property management agency services to the shopping centre, non-domestic premises and carparks in Kai Chuen Court and Kai Cheung Court in Wong Tai Sin; and

- two 2-year contracts for the provision of facilities management services to All Saints' Middle School and All Saints' Cathedral respectively.

Riding on its expertise and experience in property and facilities management and working in collaboration with other business operations of the Group, PEPM recorded HK$150 million turnover for 2023 and contributed stable income and cash flow to the Group.

Subsequent to the year-end, PEPM was awarded the following major contracts:

- a 3-year contract for the provision of property management agency services to Lung Cheung Office Block and Housing Department offices in Wong Tai Sin; and

- a 2-year contract for the provision of property management agency services to the transitional housing project in Choi Hung for The Lok Sin Tong Benevolent Society.

Marketing activities continue to drive customer footfall

OUTLOOK

In today's highly-competitive market, construction technology plays a crucial role. SOCAM will ramp up efforts to explore and apply advanced construction technology, with a view to uplifting the productivity, quality, safety and environmental performance of construction projects, and to cope with new government contract requirements. We envisage increasing benefits will generate from our continued efforts in innovative technologies.

The global economy continues to face multiple challenges in 2024. The potential escalation of the Russo-Ukraine war and Middle East conflict casts uncertainty over global stability. Rising geopolitical tensions, persistent inflation and high interest rates, supply-chain disruptions and extreme weather-related events will weigh on the world economic outlook. The elections in many western and developing countries this year may heighten geoeconomic fragmentation risk. Against such backdrop, the chance of an acceleration in global growth appears tenuous.

The fundamental trend of the recovery and long-term growth of the China economy remains unchanged. Yet, stiff headwinds await in the near term future. Flagging global demand amid an increasingly complex external environment weakens China's exports, while inadequate domestic demand becomes more prominent on subdued consumer sentiment. The property sector downturn and looming deflation risk continue to weigh on consumer confidence and spending. The Central Government has set the GDP growth target at around 5% for this year. More policy support measures are expected to be rolled out to bolster market confidence, and spur high-quality development.

Amidst this increasingly challenging environment, the Group's shopping malls will forge ahead with our ongoing asset enhancement initiatives and step up efforts to offer consumers greater experiential retail experience and immersive excitement, boost customer footfall and improve occupancies and leasing performance. Embracing innovative mall technologies and digitalising customer service will help elevate the customer journey in our malls. We also strive to bring in suitable smart facilities and green elements, and exploit cost saving opportunities in all respects, thus enabling our assets to achieve sustainable growth in value.

Hong Kong is expected to face a lot of volatility this year. Private consumption and inbound tourism will remain the major drivers of its economy in the short term. While the HKSAR Government's measures to promote mega event economy will help boost visitor arrivals, the domestic cost pressure, decreasing asset values, weak investor confidence and consumption sentiment, and talent shortage will make it difficult for the economy to recover strongly. 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 positive in the medium to long term.

The Group remains confident regarding our business development in Hong Kong. The construction industry in Hong Kong is set for the dynamic and promising times in the coming years. 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 enhance the speed, efficiency and quality of the housing construction with wider adoption of innovative technologies. The expanding public housing construction market, coupled with the on-going hospital development plans and the major upcoming infrastructure projects, including Northern Metropolis and Kau Yi Chau Artificial Islands, will offer tremendous business opportunities, albeit in a severely competitive environment, to SOCAM in the years ahead.

In Macau, the SAR has projected its GDP to grow by 10.3% YoY in 2024, on the back of the thriving tourism and gaming sectors, and the strategic government initiatives for economic diversification. The continued refurbishment and upgrading of the casino-hotels, coupled with the provision of non-gaming facilities, will present vast job opportunities to our fitting-out and renovation business.

Amid the momentous years ahead for the Group's construction business, shortage of skilled labour continues to present a major risk going forward. While leveraging the imported labour to ease the short-term problem, we will further expand our construction workforce in Hong Kong and the GBA, and attract and grow talents to cope with our business growth.

In today's highly-competitive market, construction technology plays a crucial role. SOCAM will ramp up efforts to explore and apply advanced construction technology, with a view to uplifting the productivity, quality, safety and environmental performance of construction projects, and to cope with new government contract requirements. We envisage increasing benefits will generate from our continued efforts in innovative technologies.

But above all we regard safety is crucial to our business success, and firmly commit to strengthening safety practices at worksites, cultivating a safety culture, and engaging our people, sub-contractors as well as all the workers to embrace this shared value. We have set the year 2024 as the Year of Safety, and will launch a series of programmes to foster a positive and safe-work culture. Together, we will continue to create long-term value for our shareholders, stakeholders, and the communities we serve, and weather the volatile economic and social challenges we note today.

A project that fully adopts MiC methods

SUSTAINABILITY

Driving partnerships to expand SOCAM's competencies in building maintenance, facilities management, energy-saving, and establish secure supply chains, which further underpin SOCAM's comprehensive construction value chain.

FINANCIAL REVIEW

FINANCIAL RESULTS

The Group's results for the year ended 31 December 2023 recorded a reduced loss attributable to shareholders of HK$155 million on a turnover of HK$8,336 million, comparing with the loss of HK$232 million and turnover of HK$6,307 million for 2022.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

An analysis of the total turnover is as follows:

	Year ended 31 December 2023 HK$ million	Year ended 31 December 2022 HK$ million
Turnover		
Construction and maintenance	**8,072**	6,032
Mainland property	**114**	133
Hong Kong property management	**150**	142
Total	**8,336**	6,307

Turnover from the construction and maintenance works reported a 34% increase for the year ended 31 December 2023. Riding on the public sector construction boom in Hong Kong; and the Group's solid foundation and market presence, all the construction, maintenance and interior fitting-out businesses recorded a different degree of increase in turnover over last year. Apart from the new contracts, the four public housing construction projects of the Hong Kong Housing Authority as well as the redevelopment project of Kwai Chung Hospital (Phase 2) and the Drainage Services Building project at Cheung Sha Wan, made good progress and contributed a significant part of the revenue in 2023. Whilst turnover from maintenance contracts was increasing in a steady path, the interior fitting-out business was much improved after the dip in 2022.

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

	Year ended 31 December 2023 HK$ million	Year ended 31 December 2022 HK$ million
Construction	**413**	541
Property		
Loss from property sales	**(3)**	(9)
Net rental income	**27**	10
Fair value changes on investment properties, net of deferred tax provision	**(133)**	(100)
Impairment loss on property inventories	**–**	(5)
Hong Kong property management	**5**	18
Net operating expenses	**(37)**	(44)
	(141)	(130)
Net finance costs		
– Senior notes	**–**	(5)
– Bank and other borrowings	**(212)**	(133)
Corporate overheads and others	**(54)**	(64)
Release of exchange gains	**29**	4
Net foreign exchange losses	**(33)**	(232)
Taxation	**(77)**	(103)
Non-controlling interests	**(80)**	(110)
Total	**(155)**	(232)

Construction

Average net profit before tax margin was 5.1% of turnover, comparing to the 9.0% in the previous year, largely due to (a) lower contract price fluctuation compensation received in the current year for government building contracts; (b) profit in the prior year was lifted by the increased contributions from completed projects with relatively lower turnover recognized; and (c) intensified market competition.

Property

Operating performance of the property division in Mainland China was improved amidst China's post-COVID reopening. Rental income of our investment properties was gradually picking up while occupancy was generally improved over last December. Coupled with tightened control over leasing expenses, the net rental results were much enhanced.

At 31 December 2023, the Group's investment properties were valued at HK$3,996 million. Excluding the effect on the depreciation of the Renminbi against the Hong Kong dollar in the current year, there was a 3.5% gross depreciation of fair value on a portfolio basis.

Net finance costs

The Group's borrowings were predominantly Hong Kong Interbank Offered Rate ("HIBOR") based Hong Kong dollar bank borrowings. Whilst the Group's bank borrowings were maintained at a stable level, the surge in HIBOR, particularly since June 2022 has caused the substantial increase in net finance costs for the current year to HK$212 million.

Net foreign exchange losses

Following the unprecedented 9.3% depreciation in 2022, the Renminbi registered an additional 1.5% depreciation against the Hong Kong dollar in the current year. This resulted in net foreign exchange losses totalling HK$82 million recorded for the current year, of which HK$33 million and HK$49 million were recognised in the consolidated statement of profit or loss and the consolidated statement of changes in equity respectively, comparing with the foreign exchange losses of HK$232 million and HK$335 million respectively for the previous year.

The depreciation of the Renminbi had effectively reduced the Hong Kong dollar payable amount, which was offset by a corresponding Renminbi receivable when they were net settled during 2023. Such difference of approximately HK$23 million 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:

	31 December 2023 HK$ million	31 December 2022 HK$ million
Total assets	**9,166**	9,109
Net assets	**2,371**	2,629
	HK$	HK$
Net asset value per share	**6.4**	7.0

Total assets of the Group was HK$9.2 billion at 31 December 2023, comparing to HK$9.1 billion at 31 December 2022. The decrease in both net assets of the Group and net asset value per share was principally attributable to the HK$155 million loss for the year and the 1.5% depreciation of Renminbi against the Hong Kong dollar during the current year, which caused a HK$49 million direct reduction in equity.

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

	31 December 2023 HK$ million	**%**	31 December 2022 HK$ million	%
Construction	**2,876**	**32**	2,466	27
Property	**5,705**	**62**	6,012	66
Corporate and others	**585**	**6**	631	7
Total	**9,166**	**100**	9,109	100

Increase in total assets of the construction division at 31 December 2023 was a reflection of the increased business activities during the year. Decrease in property assets was mainly due to the fair value adjustment of our investment property portfolio in Mainland China and the exchange retranslation adjustment on depreciation of Renminbi.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company decreased to HK$2,371 million on 31 December 2023, from HK$2,629 million on 31 December 2022, for the reasons mentioned above.

Net bank borrowings of the Group, which represented the total of bank borrowings, net of bank balances, deposits and cash, amounted to HK$2,108 million on 31 December 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:

	31 December 2023 HK$ million	31 December 2022 HK$ million
Bank borrowings repayable:		
Within one year	**1,618**	1,624
After one year but within two years	**1,425**	38
After two years but within five years	**65**	1,390
Total bank borrowings	**3,108**	3,052
Bank balances, deposits and cash	**(1,000)**	(1,451)
Net bank borrowings	**2,108**	1,601

The net gearing ratio of the Group, calculated as net bank borrowings over shareholders' equity, increased to 88.9% on 31 December 2023, from 60.9% on 31 December 2022, which was mainly caused by (a) the loss for the year and depreciation of Renminbi against the Hong Kong dollar as mentioned above; and (b) reduced bank balances for increased debt servicing and increased net construction contract assets balance, for work completed but not billed, by over HK$500 million when comparing to the balance 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 the Renminbi in the short-term will affect the Group's business performance and financial status. It is the Group's policy not to enter into derivative transactions for speculative purposes.

EMPLOYEES

At 31 December 2023, the number of employees in the Group was approximately 2,321 (31 December 2022: 2,013) in Hong Kong and Macau, and 279 (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, Managerial Development 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.

Further details could be found in the Environmental, Social and Governance Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Better Economy Better Community Better Environment

BUILDING A BETTER TOMORROW

SUSTAINABILITY AT SOCAM

"We embrace sustainability with the strategy "Better Tomorrow 2030", transforming challenges into opportunities for continuous growth and stakeholder values."

As the world is steadily recovering from the post-pandemic era, our strategic vision has been guiding us navigate through tough and challenging times heading towards a sustainable future.

SOCAM has embarked on its first sustainability development strategy, "Better Tomorrow 2030", to integrate purpose into the core business. United as a team, we are committed to drive the change, and evolving into a business that is both sustainable and robust. By innovating continuously, we aim to bring forth benefits and positive outcomes for our workforce, the industry and to the broader community.

SUSTAINABILITY STRATEGIES AND GOVERNANCE

Alignment with United Nations' Sustainable Development Goals (SDGs)

SOCAM has exhibited sustainable development by aligning our efforts with the SDGs. By integrating the principles and targets of the SDGs into our business practices, SOCAM aims to contribute to the global agenda of creating a more equitable, inclusive, and environmentally responsible world.

SDG 8: Decent Work and Economic Growth

- The Group ensures a safe and healthy working conditions for its employees, and fair labour practices.
- We adhere to labour laws and regulations, offering fair wages, benefits, and opportunities for career advancement.

SDG 11: Sustainable Cities and Communities

- SOCAM focuses on designing and constructing buildings and infrastructure that minimise environmental impact and promote energy efficiency.
- This includes incorporating green building practices, such as the use of sustainable materials, energy-saving and smart construction technologies and efficient water management systems.

SDG 9: Industry, Innovation and Infrastructure

- Through responsible construction practices, SOCAM actively adopts sustainable and smart construction methods, leveraging innovative technologies, and building resilient infrastructure that meets the needs of present and future generations.

SDG 13: Climate Action

- The Group prioritises sustainable building designs and incorporates green technologies to reduce energy consumption and greenhouse gas emissions.
- The Group integrates climate adaptation measures to ensure that its buildings and infrastructure can withstand the impacts of climate change, such as extreme weather and flooding.

ESG GOVERNANCE STRUCTURE

Board Statement

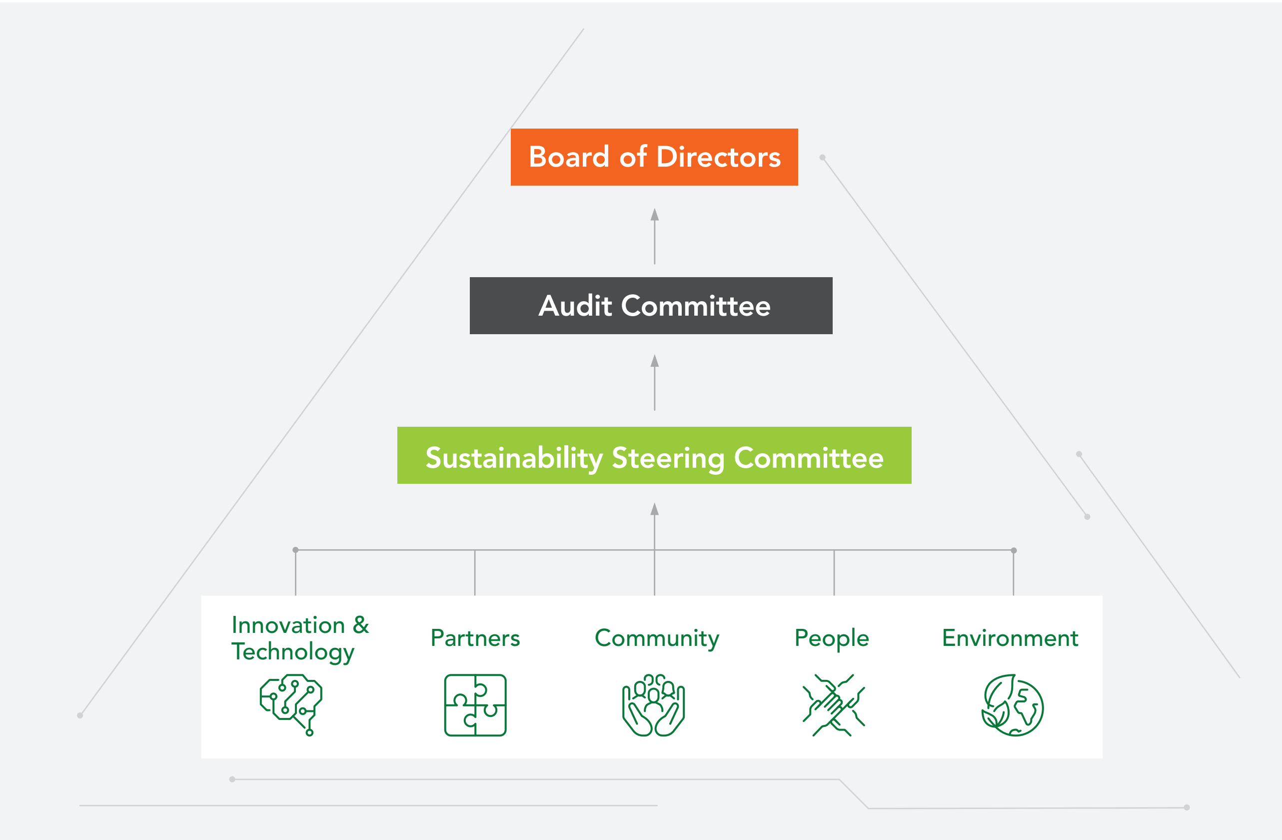
The Board, through the Audit Committee, oversees the overall management of ESG and climate-related risks. This entails the formulation and implementation of the board's ESG management approach and strategy, which includes evaluating, prioritising, and effectively managing material ESG-related issues. Furthermore, the board regularly assesses the progress made towards achieving ESG-related goals and targets. This framework enables a structured approach to risk identification and management across the organisation, with ongoing monitoring and regular reviews.

The Sustainability Steering Committee, comprising the CEO, different business and functional unit heads and supported by five ESG sub-groups, oversees SOCAM's ESG performance, the Committee implements appropriate measures, monitors performance, and considers stakeholder feedback regularly to drive continuous improvement. It also evaluates and prioritises material ESG risks and opportunities, reporting to the Audit Committee biannually.

The Audit Committee provides regular updates to the Board on progress towards ESG-related targets and the management of the Group's sustainability performance, presenting a clear sustainability roadmap.

In line with our sustainability policy, the Group ensures that the Committee regularly evaluates the policy to allocate all necessary resources and expertise for effective implementation.

The diagram below provides an illustration of the Group's governance infrastructure, including how the Board's strategy is cascaded and implemented throughout the organisation.



STAKEHOLDER ENGAGEMENT

The Group highly values its stakeholders and their feedback regarding its business and ESG performance. To understand and address their key concerns, the Group has maintained close communication with its key stakeholders, including but not limited to shareholders and investors, regulatory institutions, sub-contractors and suppliers, buyers and tenants, clients, employees as well as communities. This close communication is further bolstered by conducting an online survey to gauge the perceptions of stakeholder groups regarding the impact our operations have on them.

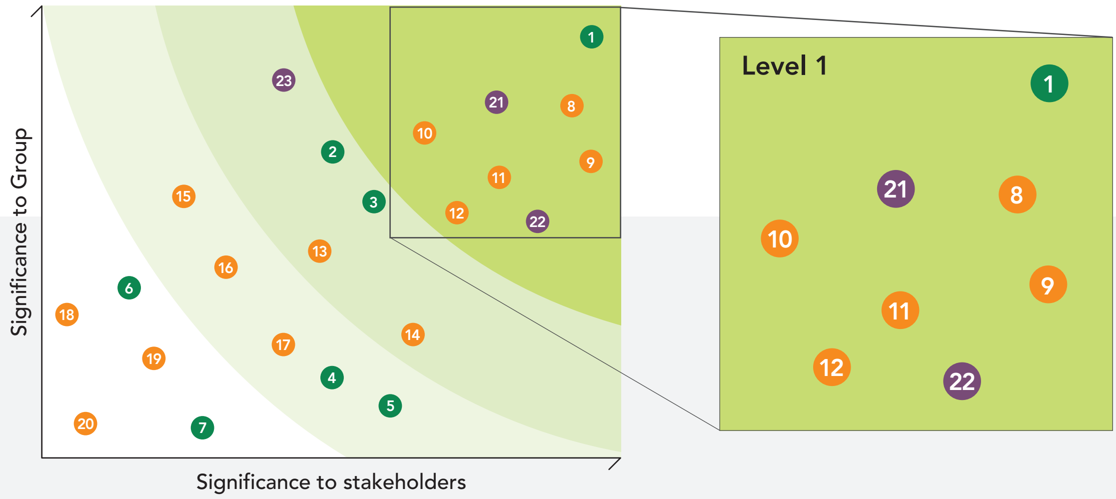
In formulating operational and ESG strategies, the Group considers stakeholders' expectations through a diverse range of engagement methods and communication channels, as shown below:

Major Stakeholders	Stakeholders' Expectations	Engagement & Channels
Internal Stakeholders		
Employees	• Good working conditions • Personal development • Health & safety • Communication & Support	• Training and development programmes • Intranet revamp and e-news • Biannual performance reviews • Employee opinion Survey • Safety training
External Stakeholders		
Clients	• Compliance • Quality • Collaboration • Health & Safety • Sustainability	• Regular meetings and reviews • Customer service hotline • Social media • Code of Business Conduct • Safety governance and measures
Buyers and Tenants	• Price quality • Services	• Customer meetings • Customer service centre • Mechanisms to address complaints
Sub-contractors and Suppliers	• Partnerships • Relationship building	• Supplier evaluation meeting • Supplier audit
Shareholders and Investors	• Transparency • Financial Results	• Annual general meeting • Announcements and circulars • Website & financial reports
Regulatory Institutions	• Compliance • Transparency • Sustainability	• Specific report • Face to face meetings • ESG Report
Community	• Wellbeing • Communication & Support	• Community partnership • Employees' volunteering activities • Sponsorships and donations

MATERIALITY ASSESSMENT

Material issues in this Report refer to what may have a significant impact on the Group's business operations or have an actual impact on stakeholders. To identify and prioritise these issues, the Group conducts an online survey in every two years, with findings presented in the materiality matrix below, and subsequently aligned with the Group's business nature. These results serve as important reference for strategies, targets, and disclosures. Notably, this year's matrix builds upon the results from last year.

We maintain open and transparent communication with our stakeholders to ensure their feedback is properly and effectively addressed. To fully understand and compile the sustainability topics that are material to SOCAM, we selected a range of key stakeholders based on expertise and working relationships, including employees, suppliers, customers, investors, academicians, media, non-government organisations, and consultants/think tanks to conduct a formal materiality assessment. A survey was carried out every two years and in 2023, involving more than 150 stakeholders in the region to gather insights. SOCAM's top material topics were identified and prioritised through this process and are disclosed in the matrix below.



Environmental	1	Addressing Climate Change	5	Green Building
	2	Resources Management	6	Effluent and Waste
	3	Indoor Air Quality	7	Biodiversity
	4	Water Resources		
Social	8	Community Engagement and Wellbeing	15	Provision of Quality Construction
	9	Workplace Safety and Health	16	Supplier Management
	10	Innovation and Technology	17	Remuneration and Benefits
	11	Diversity and Equal Opportunity	18	Data Privacy
	12	Talent Management	19	Customer Satisfaction
	13	Employee Communication	20	Anti-discrimination
	14	Training and Development		
Governance	21	Business Ethics	23	Economic Performance
	22	Anti-corruption		

THE THREE PILLARS OF "BETTER TOMORROW 2030"

> "We strongly believe that today's actions will shape a better tomorrow"

SOCAM is committed to contributing to a better tomorrow by 2030 through its ESG strategy. We have identified our ongoing initiatives within three pillars that are relevant to our businesses.

THE THREE PILLARS ON ESG

ECONOMY

- Contribute to Economic Growth
- Retain and Attract Talent
- Build Trusted Relationship

COMMUNITY

- Create a Built Environment of Safety and Wellbeing
- Develop long-term social impact programmes

ENVIRONMENT

- Reduce Carbon Emissions
- Implement Circular Construction
- Create a Sustainable Supply Chain

2023 ACHIEVEMENTS

Gold, Merit Award
Renovation & Maintenance Works – CISAS

We were proudly awarded the Renovation & Maintenance Works (Gold, Merit) and the Outstanding Performance in Work-at-height Safety Awards for 2022/2023. This recognition by the Construction Industry Safety Award Scheme (CISAS) underlines our unwavering commitment to maintaining the highest safety standards and fostering a strong culture of safety within our construction practices.

The Green Building Award 2023 (GBA 2023), a collaborative effort between the Hong Kong Green Building Council (HKGBC) and the Professional Green Building Council (PGBC), has brought our Group prestigious accolades. We have won a Grand Award and a Merit Award, and we have also been named a Finalist at the GBA 2023.

Drainage Services Department Office Building

The Revitalisation of Central Market

Kwu Tung North Multi-welfare Services Complex

Merit Award
New Buildings Category – GBA 2023

Drainage Services Department Office Building at Cheung Sha Wan Sewage Pumping Station

The DSD building is an exemplary green building incorporating sustainability, energy efficiency, and occupant wellbeing into its design and operation. Its merits under the judging criteria for the Green Building Award make it a worthy recipient of recognition and a role model for future green building projects.

Grand Award
Existing Buildings Category – GBA 2023

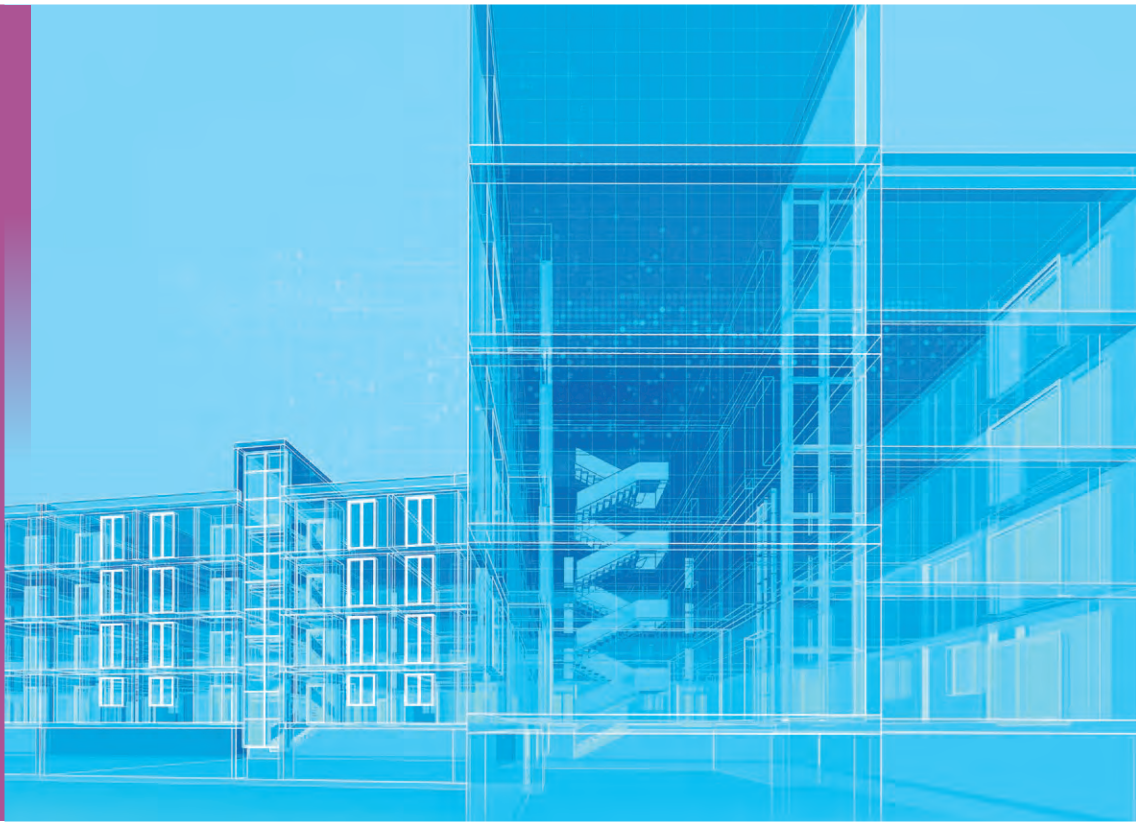
The Revitalisation of Central Market

In 2021, an 80-year-old wet market building in Hong Kong was meticulously restored and preserved. This project earned a BEAM Plus Interiors Gold rating for its integration of community-focused amenities and environmentally friendly features. Using Building Information Modelling (BIM) 7D for the design, construction, operation, and management phases, our project team revitalised the historic structure. It now serves as a vibrant community hub that creates a seamless connection between the Mid-levels and the Harbour front in the Central District.

Finalist
New Buildings Category – GBA 2023

Kwu Tung North Multi-welfare Services Complex

The project, overseen by ArchSD, was entrusted to Shui On Joint Venture (SOJV) for the design and construction of the Complex starting in December 2019 and reaching completion by December 2022. In a bid to minimise construction waste, our team employed advanced methodologies such as Modular Integrated Construction (MiC) and Multi-trade Integrated Mechanical, Electrical, and Plumbing (MiMEP). We also pioneered the use of carbon emission-free battery capacitors, known as Entertainers, as substitutes for conventional diesel generators to provide power to the site. To enhance natural lighting inside the building while minimising thermal transmission, the Complex's façade features extensive vision glass, utilising tinted or low-E glass panels. Moreover, the building's H-shaped design promotes effective cross ventilation, ensuring a comfortable and eco-friendly environment throughout.



PILLAR ONE

BETTER ECONOMY

"Building the future with smart technology, integrity, and economic vitality."

SMART CONSTRUCTION

With Hong Kong grappling with a severe housing scarcity and spatial limitations, SOCAM is addressing this issue head-on by employing advanced construction methods. We are at the forefront of using innovative techniques including Modular Integrated Construction (MiC) and Building Information Modeling (BIM). This results in improvements in project efficiency, cost reduction and reduction of material wastage.

Showcase 1: Crafting a Sustainable Future

Kwu Tung North Multi-Welfare Services Complex Project

The Kwu Tung North Multi-Welfare Services Complex serves as a prime example of our dedication to innovation, especially through the deployment of Modular Integrated Construction (MiC) method. This innovative approach has been instrumental in constructing an 8-storey building that provides 1,750 units of care homes for the elderly and disabled persons, ensuring both sustainability and quality of life for the residents.

The Project adopts Enertainers (electric energy generator) to operate four heavy-duty tower cranes for lifting and assembling MiC modules to reduce the air and noise pollution caused by diesel generators, bringing a quieter and safer site with zero carbon emission. Most of the construction works took place during the COVID-19 pandemic when hygiene was top of our priority. To safeguard workers' health, the Group procured an air disinfection robot (Mist-bot) to disinfect the construction site area and workers' canteen on a regular basis. The Group also adopts an automated material delivery robot to assist workers in transporting heavy materials. As a result, transportation time can be reduced, and possible injuries of the workers caused by manual handling can be avoided.

Showcase 2: Serving the Community

Public Housing Development at Anderson Road

MiC construction techniques was also employed in Public Housing Project at the Anderson Road in East Kowloon. Upon completion in 2025, the Public Housing Project at the Anderson Road will provide 1,410 public rental housing units and car parking spaces.

Public Housing Developments Project at Anderson Road

Transitional housing development in Kam Tin

Showcase 3: Fast-Track Living

Transitional Housing Development in Kam Tin

The Transitional Housing at Kam Tin, which has 1,028 housing units in total, fully adopts steel MiC.

Modular Integrated Construction ("MiC")

Modular Integrated Construction ("MiC") is an innovative construction method, it refers to a construction whereby free-standing integrated modules are manufactured in a prefabrication factory and then transported to site for installation as part of a building.

In 2023, SOCAM successfully completed two MiC construction projects, including the Kwu Tung North Multi-Welfare Services Complex Project and Transitional housing development in Kam Tin. The construction of Public Housing Developments at Anderson Road, which will be the pioneer public housing project using MiC upon completion in 2025.

By leveraging advanced technology, SOCAM has enhanced overall project efficiency. The utilisation of off-site fabrication and modular assembly has allowed for simultaneous on-site and off-site works, effectively speeding up the construction process. Notably, the completed Transitional Housing development in Kam Tin and the Kwu Tung North Multi-Welfare Services Complex Project maximised effectiveness of MiC technology.

The adoption of MiC in these projects has brought forth additional economic benefits. Standardisation and precision in module production have led to reduced material waste and improved resource management. This streamlined approach has contributed to site-safety, and drive sustainability in the long run.

Building Information Modelling ("BIM")

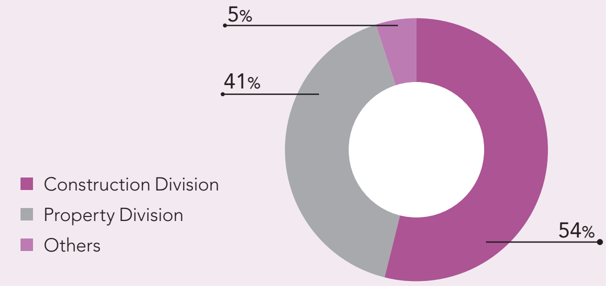
Building Information Modelling ("BIM") is a digital process that involves creating and managing a detailed virtual representation of a building or infrastructure project by incorporating 3D models and intelligent data. BIM enables better coordination among project stakeholders and reduce errors to drive improved project outcomes, safety, and digitalises the entire building lifecycle.

Rapid adoption of AI technologies and tools

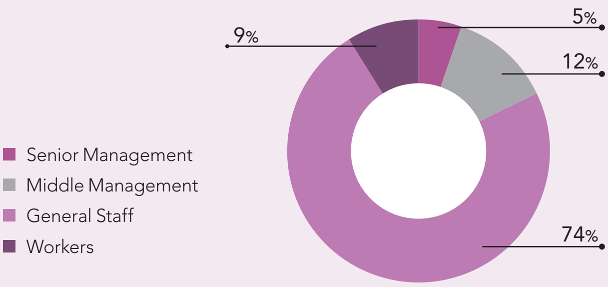
TALENT DEVELOPMENT AND ENGAGEMENT

Talent attraction is crucial for the transformation of the construction industry, and to ensure a skilled and capable workforce. At SOCAM, we offer development opportunities and strengthen trainings to address the workforce challenges, and ensure our people can grow with the Company. We embrace technology, demonstrate a commitment to innovation, and provide opportunities to work with cutting-edge technologies that attract tech-savvy individuals to the industry.

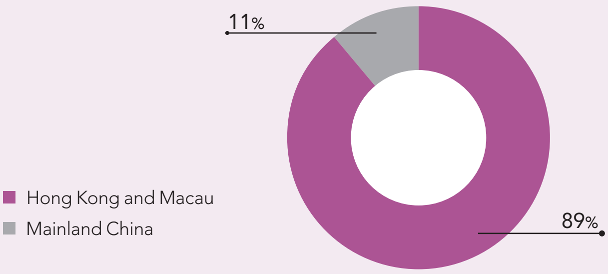
Business Lines



Employee Categories



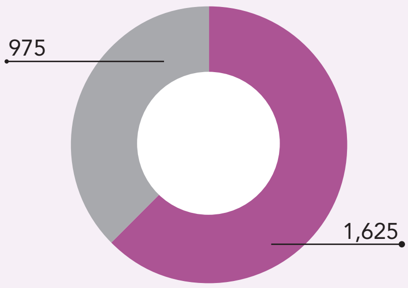
Geographical Region



Employee Distribution

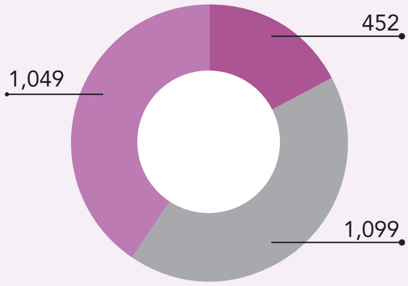
GROUP-WIDE
2,600 PERSONS

Gender



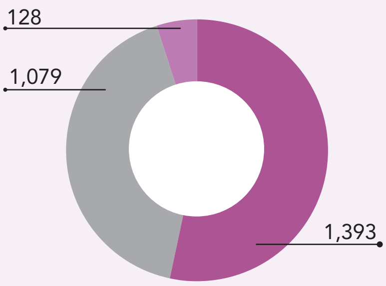
- Male
- Female

Age Group



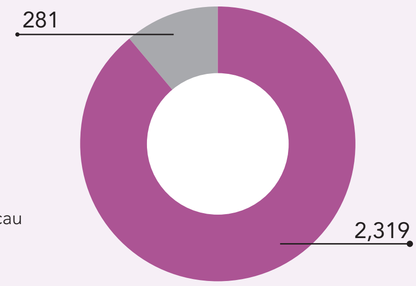
- Under 30
- 30-50
- 51 or above

Business Lines



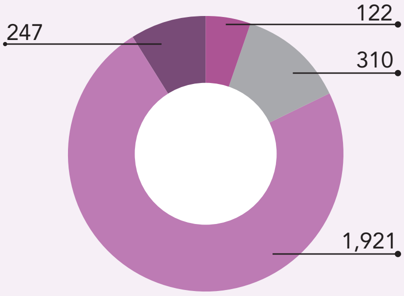
- Construction Division
- Property Division
- Others

Geographical Region



- Hong Kong and Macau
- Mainland China

Employee Category



- Senior Management
- Middle Management
- General Staff
- Workers

Employee Turnover Rate (%)

By Group-wide

15.1%

By Age Group

Under 30	4.5%
30 – 50	6.2%
51 or above	4.4%

By Gender

Male	9.6%
Female	5.5%

By Geographical Region

Hong Kong	29.4%
Mainland China	4.1%
Macau	11.8%

INTEGRITY AND ETHICS

SOCAM's Corporate Culture

SOCAM is committed to a corporate culture that embraces integrity. We strive to conduct all business affairs in accordance with the highest business ethics standards, acting as a socially responsible company and a good corporate citizen. Our management is fully committed to the continuing enforcement of and compliance with the "Code of Business Ethics", and to ensure employees acknowledge and compliance. During 2023, no concluded legal cases regarding corrupt practices brought against the Group or its employees have been identified.

Our Policies

Code of Business Ethics

The Group has established the Code of Business Ethics to guide our employees in achieving the highest standard of integrity, conduct and professionalism, and we require all or business partners to understand, and share the same value and commitment in building a fair business environment.

Anti-Corruption Policy

The Board sets a tone of zero tolerance towards fraud and corruption. The Group's Employee Handbook states guidelines that require employees to comply with all applicable rules on conflicts of interest, insider dealing, anti-competition and anti-corruption. It demands strict adherence from every employee to applicable laws, rules, and regulations in the jurisdictions in which the Group operates.

Whistleblowing Policy

To prevent any malpractice or misconduct, particularly in relation to bribery, extortion, fraud, and money laundering, the company has established a comprehensive Whistle-blowing policy. This policy governs the procedures and guidelines for reporting such incidents within the organisation. We have also provided reporting channels on our company website to cater to the diverse stakeholders of the organisation. These channels enable stakeholders to report any suspected instances of misconduct, ensuring that a transparent and accountable culture is maintained throughout the company.

Anti-Corruption Training

Construction projects involve the creation of buildings and infrastructure that directly impact public safety. Adhering to high ethical standards ensures that safety regulations and standards are followed diligently. Maintaining integrity and ethics is essential for ensuring the delivery of high-quality projects. New joiners receive training as part of their induction programs. Regularly we provide education and training programmes on ethics, integrity, and professional behavior that can raise awareness and promote a culture of ethical conduct within the Group. In 2023, over 280 hours anti-corruption related training has been provided to our employees and directors.

PILLAR TWO

BETTER COMMUNITY

"At SOCAM, people are our greatest asset"

OCCUPATIONAL HEALTH AND SAFETY

A Responsible Employer

At SOCAM, work safety is top of priority. The Group places utmost importance on safety training and cultivating a safety culture, and remains dedicated to increase the most stringent site safety measures and audits to safeguard the lives and well-being of our employees and workers.

OUR SAFETY PERFORMANCE AND NEW ACTIONS OVERVIEW

1

Number of Training Participants Have Increased 30%

187,522 (2023) vs 144,026 (2022)

2

Enhance Safety Governance

Established a new Safety Committee for Site Mechanics

3

Newly Opened "Ping Che Training Centre"

Conducted 5,200 hours of safety training in 2023

4

AI Monitoring System

Leveraging AI technology to detect and supervise high-risk work to reduce accidents.

5

Overachieve in Our Target of Reducing Accident Rate

3.3 vs 3.5 cases (Target) per 1,000 workers

6

Conduct Import Labour Safety Training

For direct labour in Mainland China and Hong Kong for around 1,890 hours by the end of February 2024.

7

Launch New Initiative on "Supervisor Safety Behavior"

To encourage outstanding supervisory safety culture

8

Smart Site Safety System (4S)

Integrate IoT devices for seamless connectivity to enhance workplace safety

187,522 PARTICIPANTS ATTENDING OUR SAFETY SEMINARS AND WORKSHOPS

Embracing Safety Training

Effective training programs are crucial for our safety performance, as they equip employees and workers with the necessary skills, knowledge, and safety protocols to address the changing work environment, and to meet the highest standards of quality and professionalism in the industry. Throughout 2023, SOCAM implemented major improvement actions to strengthen safety awareness among its workforces. To enhance the skills and knowledge of frontline personnel, we provided extensive Project Level HSE Training, with a remarkable attendance of 187,522 number of attendees. We paid special attention to new joiners, and the imported labour from the Mainland China starting 2023, accumulating approximately 1,890 training hours by the end of February 2024.

Ping Che Training Centre

We are dedicated to provide adequate safety training to all frontline supervisors and management, and consistently increase safety awareness. With the set up of a Training Centre in Ping Che since 2022, which provide a space for us to conduct continuous and disturbance free training, we conducted a series of Corporate Safety Training sessions on safety management, and provided 5,200 hours of safety training to more than 1,300 participants.

Reducing Accident Rate

We see the urgent need for safety awareness education, and against our set target, SOCAM has lowered the accident rate to 3.3 cases/1,000 workers which was ahead of our set target in 2019. Nevertheless, we record a fatal incident in March 2023. While we have taken prompt actions to strengthen supervision and stress on protective measures, we also heighten workers awareness through intensive training and more stringent guidelines and in-house safety rules.

ACCIDENT RATE:

3.3 VS 5.3 **(baseline 2019)**
(cases per 1,000 workers)

Laser level meter

The Group encourages life-long learning

Online Safety Training Platform – Anytime, Anywhere

Online safety training that utilises AI for demonstration offers advantages and enhances employee awareness. Our efforts on health and safety training with increasingly large number of participants highlights our commitment to keeping sites safe through intense engagement and adopting good practices.

Smart, Site, Safety System (4S)

Digital technology tool has been highly instrumental in building a safer and greener future. In 2023, we launched the 4S system and applied to our projects. It utilises 5G and other cutting-edge technologies to provide a stable and reliable network and platform, connecting various smart devices and system. This allows a close monitoring of the construction sites 24/7 and triggers alert immediately on potential hazards issues. By utilising advanced technology, wearable devices for workers such as smart helmets and smart watches, logistics and total number of workers, etc can improve work efficiency and keep site team up to date with the latest system updates.

Leveraging Artificial Intelligence (AI)

Adopting innovative technologies such as the Internet of Things (IoT) sensors, artificial intelligence (AI), and mobile applications into construction safety practices allows real-time monitoring. AI-powered cameras and sensors are used to monitor and alert workers and site management to potential safety hazards on site.

Management Visit

Our management team, led by the CEO and Directors, conducts visits to construction sites regularly. It provides an opportunity to directly communicate with the construction team, fostering a sense of engagement, motivation, and teamwork. By being physically present at the construction site, Management can assess the execution and latest on-site practices and provide guidelines. Strong relationships foster a positive working environment and can lead to enhanced collaboration, improved safety and successful project outcomes.

Employees gather together after training at the Ping Che Training Center

New Initiative – "Supervisory Safety Behaviour Award"

SOCAM launched a new award program "Supervisory Safety Behaviour" to recognise exceptional supervisory performance. This initiative aims to further motivate and encourage supervisors to prioritise safety in their day-to-day responsibilities, driving a culture of safety throughout the organisation.

EMPLOYEE CARE

Enhanced Employee Engagement by Technologies

Effective employee communication, enhanced by technology, plays a vital role in attracting and retaining talent in SOCAM. In 2023, SOCAM launched a revamped intranet to provide a space for employees to connect and engage with teammates, strengthening their sense of belonging.

Digitalisation of Appraisal System

In 2023, we replaced our existing paper-based appraisal system with a digital one, which is a big step towards total integration with our other internal systems. Clear communication about company goals and objective, project updates and other important information helps employees understand their roles in the organisation.

Joined hands with CIC to promote safety

> To ensure our business run in a sustainable manner, we've been actively encouraging feedback, seeking improvement and sourcing green solutions. The adoption of building technologies, reinforcement of safety training and awareness, demonstrate our continuous pursuit of work safety.

Mr. Freddy Lee
Chairman, Sustainability Steering Committee

Employee Training Hours
44,809

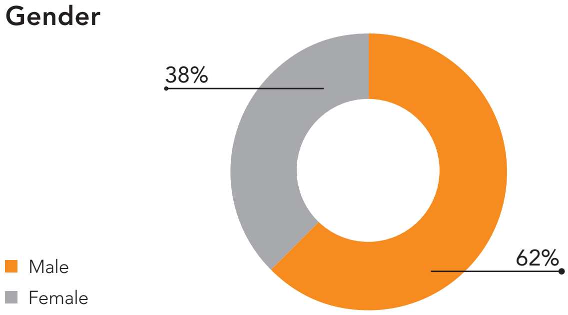
Employee Training Rate
87.6%

Safety Training Participants
187,522

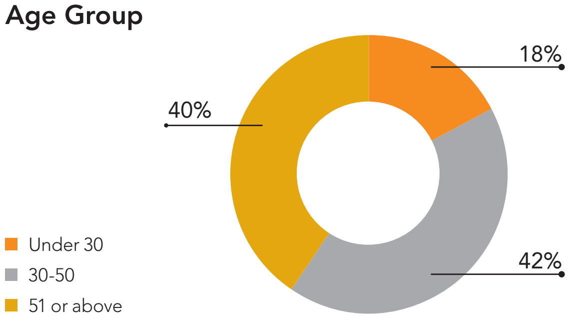
Employee Well-being

Focusing on employee well-being will contribute to creating a positive work environment and fostering employee loyalty and engagement. Employee well-being initiatives and work-life balance programs shows that the company cares about the holistic needs of its workforce. Regular updates on wellness programmes, flexible work arrangements, and support systems contribute to employee satisfaction and retention.

Gender



Age Group



Developing People

SOCAM has developed a comprehensive learning and development strategy identify learning needs, prioritise development programmes and talent development initiatives. Our strategy encompasses a wide range of skills, covering leadership, management, technical expertise, professional, health and safety training, with the primary objective of nurturing individuals with high potential to become future leaders.

By investing in training programmes, we aim to develop the capabilities of our existing workforce and provide opportunity for our employees to bridge the skills gap, increase productivity, and build a skilled and capable workforce to support business growth.

Cycle for Millions 2023

Shui On Innovation Fund aims to nurture a new generation of technology innovators

COMMUNITY PARTNERSHIP

In March 2023, we entered into a Memorandum of Understanding (MOU) with the Global Institute for Human Rights and Development (GIHRD) to collaborate on projects for better career planning for secondary school students. The main objective of these projects is to empower the youth and lead them to the right path to reach their potential. We have extended invitations to about 90 secondary school students to be a part of this programme.

Partnership with HKMU

The growing interest of university students in housing-related social issues, driven by rising housing costs, housing inequality, and social justice concerns, reflects a collective recognition of the fundamental right to affordable housing and a commitment to advocating for equitable housing policies and initiatives. This increased awareness has led Hong Kong Metropolitan University (HKMU) students to actively engage in discussions and actions surrounding these issues. Through collaboration with our transitional housing project, the students produced a video to actively contributing to the broader dialogue on housing affordability and social equity, aiming to create positive change and improve the lives of individuals and families in the long term.

Shui On Seagull Club spreading love and care to the elderly residents at Kwu Tung project

Volunteer Activities

The Group recorded a notable surge in volunteer activities and hours in 2023, with a particular focus on providing support to the elderly and the under-privileged. Recognising the evolving needs of the community in the aftermath of the COVID-19 pandemic, the Group actively collaborates with NGOs to promote volunteer work, and significant resources towards increasing volunteer hours and organising activities that aim to enhance well-being, combat social isolation, and foster meaningful connections within the community. Throughout the year, a total of 367 staff members participated in volunteer work, collectively contributing 1,128 volunteer hours. These dedicated efforts have allowed the Group to make a positive impact within the construction industry and actively address the needs of the community.

Volunteering Hours

1,128 (2022: 241) (2021: 792)

No. of Employees Volunteered

367 (2022: 220) (2021: 313)

Donation

HK$1.5 million
(2022: HK$2.1 million)

Shui On Football Friendship Tournament

Summary of Volunteering Activities 2023

Event name	NGO Partners
Construction Industry Fun Run 2023	Construction Industry Council
Chinese New Year Celebration Day	Hong Kong Society for the Disabled - Jockey Club Shatin Youth Integrated Services Centre
Rise and Shine Football Friendship Tournament	Hong Kong Young Women's Christian Association, The Salvation Army
Emergency Support for Earthquakes in Turkey and Syria	UNICEF Hong Kong
Battle of Water Carriers 2023	Drops of Life
2022 Online Charity Walk Fundraising Instrument Presentation Ceremony	Christian Family Service Centre
Forest Regeneration Tree Planting Day	The Mushroom Initiative
Construction Industry Banquet in 18 Districts	Hong Kong Construction Association
Dragon Boat Festival Songsi Event	Hong Kong Young Women's Christian Association, Heep Hong Society
Love Continues • Mid-Autumn Celebration	Caritas East Point Elderly Centre
Parent-Child Coastal Cleanup Activity	Plastic Free Seas
Construction Industry Banquet and Lucky Bag Distribution Event	Hong Kong Construction Association, Registered Specialist Trade Contractors Association
Pink Dress Day 2023	Hong Kong Cancer Fund, Hong Kong Young Women's Christian Association
Shui On Seagull Club Charity Walk Fundraising	Hong Kong Sheng Kung Hui Yan Lam Day Centre

Support Our Local Construction Industry

As part of our commitment to corporate social responsibility, we actively collaborate with industry stakeholders. We enthusiastically participated in the Construction Industry Sports & Volunteering Programme, an initiative launched by the CIC (Construction Industry Council). Our contribution involved providing hundreds of meal boxes, affectionately known as Lo Pan Rice, to underprivileged families. This ongoing campaign aims to alleviate the financial burdens faced by those in need.

PILLAR THREE

BETTER ENVIRONMENT

Building today for a Sustainable Tomorrow

By taking proactive measures in the building green supply chain, climate action such as reducing greenhouse gas (GHG) emissions, we aim to mitigate climate change effects. SOCAM adopts sustainable construction practices to minimise our carbon footprint. The Group is accredited ISO14001, an environmental management standard to ensure effective environmental management practices.

Carbon Intensity

IN PROGRESS (+18%)

Target :
Lowering the carbon intensity 25% by 2024 using 2020 baseline

Waste Generation

ACHIEVED (-30%)

Target :
Lowering the waste generation 25% by 2030 using 2020 as baseline

Waste Intensity

ACHIEVED (-51%)

Target :
Lowering the waste intensity 25% by 2030 using 2020 as baseline

FROM GREEN SOURCING TO GREEN BUILDING

Green Supply Chain ranges from green sourcing to green building practices. It involves the selection of environmentally friendly building materials and the utilisation of advanced techniques such as Building Information Modeling (BIM) and Modular Integrated Construction methods (MiC).

We started to prioritise procuring materials and resources from environmentally responsible suppliers, considering factors such as the supplier's sustainability practices, carbon footprint, and adherence to ethical standards such as human rights and labour standards. This will help reduce the environmental impact and social risks of our supply chain, and promote sustainable practices throughout the industry in the long-run.

Carbon Reduction Target Group

Recognising the importance of environmental sustainability, we establish a dedicated carbon reduction target group in 2024. This group will focus on developing practical strategies for carbon reduction, exploring new technologies and practices that align with our sustainability goals, in order to seek innovative solutions to reduce our carbon footprint.

As mentioned in the section of "Smart Construction", the integration of BIM and MiC techniques enables SOCAM to optimise energy performance, resources and waste management during the project's life cycle. This covers accurate energy modeling and simulation, identifying energy-saving opportunities, and implementing energy-efficient systems. Energy-efficient buildings contribute to reduced energy consumption and greenhouse gas emissions, and mitigate the negative environmental impacts associated with our construction activities.

Use of Enertainer

Enertainer is the world's first purpose-built construction energy storage system. It offers several advantages over diesel generators, including a smaller size, near-silent operation, zero emissions of dark smoke, and a potential reduction of up to 85% in carbon emissions (equivalent to 200 tonnes CO_2 per year).

Enertainers were deployed in our major construction sites currently. As part of our commitment to sustainability, we are actively transitioning our construction projects from diesel generators to Enertainer systems. This strategic shift will enable us reduce environmental impact and promote cleaner and more efficient energy solutions in our future endeavors.

Local Suppliers Preference

SOCAM is dedicated to local procurement, enhancing efficiency, and integrating sustainable development into the Group's business model. In our procurement process, we prioritise local suppliers and environmentally friendly products and services to minimise the carbon footprint associated with cross-border delivery. This approach reflects our dedication to responsible sourcing and underscores the Group's commitment to environmental stewardship.

Number of Subcontractors and Suppliers

Construction in Hong Kong

744

Property in Mainland China

173

Interior Fit-out in Hong Kong and Macau

342

Total

1,259

(2022: 1,247)
(2021: 1,129)

COMBATING CLIMATE RISK

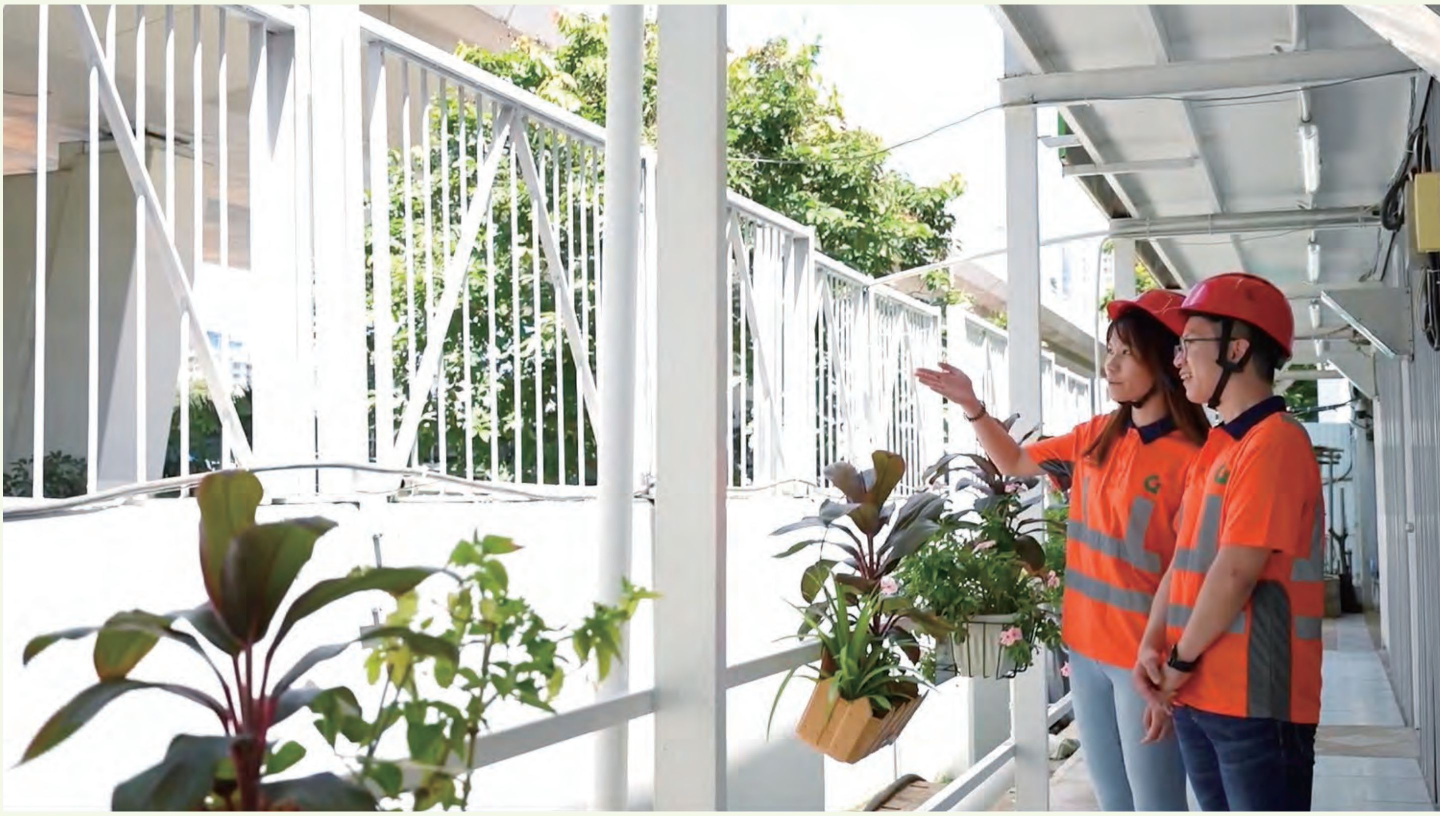
Extreme weather conditions from the changing climate will inevitably affect us and our stakeholders to varying degrees of severity. Technological advancement will disrupt the competitive landscape. More stringent policies will be enacted to regulate sustainable business practices and restrict carbon emissions. With a number of market changes in sight, SOCAM has developed mitigation strategies to deal with the climate-related risks and opportunities involved.

The disclosure framework originally proposed by the Task Force on Climate-related Financial Disclosures (TCFD), later adopted by the International Sustainability Standards Board (ISSB), is largely consistent with the four elements of sustainable development disclosure framework. In terms of interpretation, it builds upon the TCFD's climate-related factors disclosure and elevates it to the level of sustainable development.

Areas	Actions by SOCAM
Governance	Under the leadership of the CEO, the Sustainability Steering Committee responsible for evaluating ESG-related risks and opportunities, including climate-related concerns, reports its findings bi-annually to the Audit Committee. Subsequently, the Audit Committee reports to the Board, which holds oversight over ESG and climate-related matters, as well as the corresponding strategies.
Strategy	SOCAM places a high priority on climate-related risks and opportunities across short, medium, and long-term horizons. These considerations are progressively integrated into the Group's businesses, strategies, and financial planning.
Risk Management	ESG and climate-related issues are taken into consideration within our risk management and internal control systems
Metrics and Targets	We have been measuring and disclosing our energy consumption as well as Scope 1, 2, and 3 emissions. Furthermore, we have set a target to reduce our greenhouse gas (GHG) emissions intensity by 25% by 2024, relative to the 2020 baseline.

We have identified climate risks and opportunities that are relevant to our business operations, and listed the actions taken to manage them, as shown in the table below.

Climate Risks/Opportunities		Potential Impacts	Mitigation Strategies
Physical Risks/Opportunities			
Acute	Increased frequency and severity of extreme weather events	• Infrastructure damages due to strong wind, typhoons, flooding and other weather events • Decreased revenue as a result of projects delays • Increased capital expenditures spent on mitigation measures • Increased operational costs due to health and safety incidents • Reduced asset value due to the exposure of continuous climate risks	• Conduct precautionary training and emergency drills for employees • Implement flexible work arrangements when necessary • Improve crisis management and transition plans • Develop a strong supply chain to ensure continuity of operations • Carry out climate risk assessment and research on climate-resilient designs • Promote the use of energy-efficient systems
Chronic	Prolonged period of extreme hot weather	• Higher manpower costs because of increased health issues • Electrical and mechanical failure under extreme heat	• Launch health and safety campaigns to promote the prevention of heat strokes • Provide adequate rest time with reference to the new three-tier heat warning system of the HKSAR government • Install cooling facilities at operational sites
Transition Risks/Opportunities			
Legal Risk	Tightened regulations and policies on decarbonisation	• Increased costs of compliance and operation • Increased capital expenditures for the procurement of energy-efficient equipment	• Commit to sustainability initiatives and comply with all applicable laws and regulations • Set targets in response to Hong Kong's Climate Action Plan 2050
Industry Risk	Increased competitive pressure on green construction	• Reduced tenders and contracts due to competition • Increased capital expenditures for the procurement of new technologies	• Source and introduce new technological applications
Market Risk	Increased expectations from stakeholders	• Increased operating costs in response to stakeholder demands on applying green practices	• Communicate timely with stakeholders on sustainability measures • Digitise operations and implement energy-saving initiatives
Technological Opportunity	Advancement in green building technology	• Increased revenue through the use of low carbon infrastructure • Long-term opportunities to embrace technology to improve efficiency and branding	• Replace materials with green and reuseable alternatives to lower costs • Keep abreast of the latest smart building technology available in the market



Engaging our team to go green

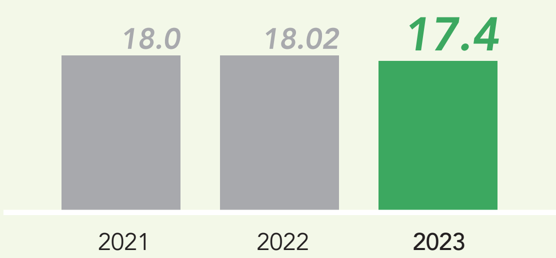
Reducing carbon footprint by our sustainability practices

Greenhouse gas (GHG) emissions are universally recognised as a substantial driver of climate change and global warming, causing escalating effects on the environment and all life on Earth. Given this context, the Group has been reducing its emissions by actively exploring cleaner energy sources and construction methods.

The major sources of our GHG emissions are the direct emissions from combustion of biodiesel and diesel of company-owned vehicles, as well as the indirect emissions from purchased electricity. During the year, the Group witnessed a decrease in total emissions intensity. These expansions were primarily attributed to increased production or operations.

GHG Intensity

tCO2e



In order to reduce our carbon footprint, we have implemented green practices for our operations as detailed in section of "Smart Construction".

Shui On Centre – a "Cooling as a Service" project

RESOURCES MANAGEMENT

The Group has implemented policies and measures to efficiently manage resource utilisation, aiming to enhance energy efficiency and minimise the consumption of non-essential materials. Our resource management policies and procedures ensure effective control over resource usage.

Energy Management

The Group has established "Shui On Energy Policy Statement" and is accredited ISO50001 certification. These specified our energy management practices in our daily operations. The primary sources of energy consumption for the Group are electricity and the use of diesel fuel by forklifts and excavators, which are mainly derived from the daily operations of construction sites and shopping malls. Since the Group's main energy consumption comes from electricity, we integrate energy conservation and emission reduction into our business operation and development goals, establish an energy-saving performance management system, and further improve energy efficiency through personnel management and equipment transformation for energy conservation and emission reduction.

Shui On Centre – Hong Kong's first "Cooling as a Service" project with CLPe

The Shui On Centre, a 34-story Grade A office complex in Wan Chai, spans roughly 51,500 square metres, has undergone recent renovations centered around energy efficiency enhancements. The building's outdated seawater cooling system has been replaced by three high-efficiency freshwater cooling units, each with a capacity of 2,100 refrigeration tons. These new units are managed by an AI-powered system, which optimises their operation. As a result of these improvements, there's been a notable 15% reduction in electricity consumption and an estimated annual decrease of 370 tons in carbon emissions compared to the old system. This advancement is expected to play a significant role in the reduction of the building's carbon footprint.

Water Management

The Group recognises the prevailing global water scarcity, and proactively implement strategies to address this critical issue. We promote a culture of water conservation among employees and have implemented a range of measures to mitigate water usage:

- Install sensors on water taps to reduce water consumption; and
- Use a water circulation system to reuse wastewater for cleaning purposes.

During the year, the decrease in water consumption can be primarily attributed to the change of operational needs and process optimisation implemented by the company.

Use of Packaging Materials

Due to the Group's business nature, it does not consume a significant amount of packaging materials, and thus the use of packaging materials is immaterial.

WASTE MANAGEMENT

The Group advocates the importance of environmental management, and strictly controls the generation of waste, continuously optimises management and monitoring. To meet the requirements of national and local environmental standards, we also promote and ensure that the generated waste will be collected, source-separated, and recycled as much as possible before proper disposal.

Hazardous Waste

Due to the nature of its business, the Group did not generate any hazardous waste during the reporting period. However, the Group has also formulated guidelines for the management and disposal of hazardous waste. If any hazardous waste is generated, the Group must engage qualified chemical waste collectors to treat such waste to comply with relevant environmental laws and regulations.

Non-hazardous Waste

The Group's business activities generate non-hazardous waste, primarily consisting of inert construction waste, non-inert construction waste and paper waste. For the

Total Energy Consumption

39,977,492 kWh

(2022: 33,656,897)

Total Water Consumption

202,994 m^3

(2022: 220,083)

Energy Intensity

7,165.48 kWh/million turnover

(2022: 7,084.3)

Water Consumption Intensity

36.4 m^3/million turnover

(2022: 46.3)

inert construction waste and non-inert construction waste, most of the wastes are temporarily stored in a specified location and then recycled by licensed contractors. Meanwhile, the Group is committed to reducing waste generated from operations through carefully planning and estimating materials, with the adoption of BIM.

Digitalisation

Traditionally, the construction industry relied heavily on printed materials. Construction projects, often spanning multiple years, produced voluminous documents such as drawings, contracts, and financial records, consuming considerable physical space. To foster sustainability practices and embrace a paperless culture, SOCAM launched a digitisation programme since 2020 to drive the change. We are progressively shifting our internal operations to paperless processes.

BIM as a Tool for Reducing Construction Waste

Through the optimisation of design and planning, BIM significantly reduces rework, streamlines the sequencing of tasks, and effectively cuts down on material wastage in construction.

Digitalises the entire building life cycle

As a result of the Group's waste reduction initiatives, the Group has noted a reduction in the generation of non-hazardous waste during 2023.

Non-hazardous waste

Inert construction waste

85,270.61 Tonnes
(2022: 117,062.93)

Non-inert construction waste

28,574.04 Tonnes
(2022: 14,747.06)

Paper waste

28.19 Tonnes
(2022: 26.67)

Total waste

113,872.84 Tonnes
(2022: 131,836.66)

Waste intensity

20.41
Tonnes/million turnover
(2022: 27.75)

BEAM Plus Platinum Certification (Provisional) – Redevelopment of Kwai Chung Hospital (Phase 2)

NATURAL RESOURCES AND ENVIRONMENT CONSERVATION

To promote sustainability within our construction projects, we collaborate with supply chain partners who prioritise the procurement of sustainable materials, such as recycled content and responsibly sourced timber. Additionally, we are committed to improving resource efficiency in our operations, leveraging our green procurement guidelines to urge responsible departments to preferentially procure environmentally friendly products from our selected supply chain partners.

Green Building Practices

From building design and construction methods to estate management operations, green practices and resources management have been incorporated into all of our construction projects. Our buildings are optimised for better energy efficiency and water resource conservation. We prioritise the use of green building materials and leverage MiC and BIM technologies to minimise overall building material usage and reduce construction waste. The ultimate goal of our green building practices is to preserve natural resources and reduce our carbon footprint. We have received the "2023 Environmental Merit Award" from the Hong Kong Construction Association (HKCA).

Green Building Certifications

The Group's commitment to sustainable construction practices is exemplified by the achievement of Green Building Certifications for its projects. The Redevelopment of Kwai Chung Hospital (Phase 2) has obtained the BEAM Plus Platinum certification (Provisional). Notably, this project showcases the wide adoption of BIM and other advanced construction technologies, further enhancing our environmental performance and project efficiency.

Environmental Performance Tracking

The Group has taken a positive approach to monitor and manage its carbon emissions by developing a carbon tracking digital platform. This innovative platform facilitates accurate monitoring and documentation of our emissions, enabling us to make informed decisions and implement effective strategies to reduce our carbon footprint.

APPENDICES

I. PERFORMANCE DATA SUMMARY

		Unit	2023	2022
Employees	**Head count at Year End**			
	Group-wide	Person	2,600	2,299
	By Gender			
	Male	Person	1,625	1,490
	Female	Person	975	809
	By Business Lines			
	Construction Division	Person	1,393	1,267
	Property Division	Person	1,079	905
	Others	Person	128	127
	By Employee Category			
	Senior Management	Person	122	125
	Middle Management	Person	310	290
	General Staff	Person	1,921	1,680
	Workers	Person	247	204
	By Age Group			
	Under 30	Person	452	432
	30 – 50	Person	1,099	943
	51 or above	Person	1,049	924
	By Geographical Region			
	Hong Kong and Macau	Person	2,319	2,013
	Mainland China	Person	281	286
	Turnover Rate (%)			
	Group-wide	%	15.1	11.6
	By Gender			
	Male	%	9.6	6.8
	Female	%	5.5	4.7
	By Age Group			
	Under 30	%	4.5	3.8
	30 – 50	%	6.2	4.7
	51 or above	%	4.4	3.1
	By Geographical Region			
	Hong Kong	%	29.4	27.3
	Macau	%	11.8	0
	Mainland China	%	4.1	7.3
Training & Development	**Training Hours**			
	Group-wide (excluding HSE training)	Hour	44,809	26,234
	By Gender			
	Male	Hour	28,822	18,864
	Female	Hour	15,987	7,370
	By Employee Category			
	Senior Management	Hour	3,600	4,251
	Middle Management	Hour	5,873	5,733
	General Staff	Hour	34,159	15,031
	Workers	Hour	1,177	1,219
	Average Training Hour			
	Group-wide	Hour	17	11.4
	By Gender			
	Male	Hour	17.73	12.6
	Female	Hour	16.39	9.1

		Unit	2023	2022
	By Employee Category			
	Senior Management	Hour	29.5	34.1
	Middle Management	Hour	19	19.8
	General Staff	Hour	17.8	8.9
	Worker	Hour	4.8	6.0
	Percentage of Employees Trained			
	Group-wide	%	87.6	80.2
	By Gender			
	Male	%	89.2	80.2
	Female	%	84.8	80.1
	By Employee Category			
	Senior Management	%	95.1	92.8
	Middle Management	%	96.5	96.9
	General Staff	%	92.2	82.1
	Worker	%	36.8	32.8
Health & Safety	Lost days due to work injury	Day	2,084	1,989
	Work-related injury rate	Cases per 1,000 workers	3.3	3.10
	Work-related injury	Number	17	12
	Work-related fatalities	Number	1	0
	Participants in safety training	Person	187,522	144,026
Environment	**Total Resource Consumption**			
	– Petrol	Litre	301,313	169,994
	– Diesel	Litre	1,612,176	1,622,614
	– Natural gas	m^3	652,643	360,223
	– Acetylene	m^3	973	1,599
	Total Direct energy consumption	**kWh**	**25,703,643**	**21,563,792**
	– Heat	kWh	728,696	1,692,924
	– Electricity	kWh	13,545,153	10,400,181
	Total Indirect energy consumption	**kWh**	**14,273,849**	**12,093,105**
	Total energy consumption	**kWh**	**39,977,492**	**33,656,897**
	Energy Intensity	kWh/million turnover	7,165.48	7,084.3
	Water	m^3	202,994	220,083
	Water intensity	m^3/million turnover	36.4	46.3
	Type of Air Pollution			
	Nitrogen Oxides (NOx)	tonne	0.1975	0.1118
	Sulphur Oxides (SOx)	tonne	0.0302	0.0286
	Particulate Matter ("PM")	tonne	0.0145	0.0082
Greenhouse Gas Emission	Scope I	tCO_2e	4,885.23	4,612.5
	Scope II	tCO_2e	8,796.64	7,480.6
	Scope III	tCO_2e	83,327.96	73,528.7
	Total	tCO_2e	97,009.83	85,621.7
	GHG intensity	tCO_2e/million turnover	17.39	18.02
	Non-hazardous waste			
	Inert construction waste	Tonnes	85,270.61	117,062.93
	Non-inert construction waste	Tonnes	28,574.04	14,747.06
	Paper waste	Tonnes	28.19	26.67
	Total	Tonnes	113,872.84	131,836.66
	Waste intensity	Tonnes/million turnover	20.41	27.75
Community	Volunteer hours (including non-staff)	Hours	1128	241
	Donations	HK$	1.5 million	2.1 million

1. GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

II. ABOUT THIS REPORT

Introduction

This Environmental, Social and Governance Report ("the Report") provides an overview of the initiatives, plans and performance of SOCAM Development Limited ("SOCAM", the "Group" or "We", together with its subsidiaries) in Environmental, Social and Governance ("ESG") and demonstrates its commitment to sustainable development. It covers the efforts from Construction Division. Maintenance Division, Interior Fitting-out Division and Property Division of the Group.

Reporting Period

This is the Group's 8th sustainability report to demonstrate the Group's commitment and efforts on ESG issues. This Report outlines the Group's sustainability, strategies and management approaches to material topics, and also covers the Group's sustainability performance, for the year from 1 January 2023 to 31 December 2023 ("2023", "Year").

Reporting Scope

Environmental Data are collected from the Hong Kong headquarters, 8 major construction projects, 13 interior fitting out projects and 14 maintenance projects in Hong Kong, and 4 property projects in the Mainland China. The Group reviews its reporting scope from time to time to ensure completeness and that the material topics of the Group's overall portfolio are covered.

Reporting Framework

This Report has been prepared in accordance with the mandatory disclosure requirements and "comply or explain" provisions of the ESG Reporting Guide (the "ESG Reporting Guide") as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Please refer to the Stock Exchange Content Index in this report for information on the location of specific disclosures.

Reporting Principles

During the preparation of this ESG Report, the Group has applied the reporting principles stipulated in the ESG Reporting Guide as follows:

- "Materiality" – A materiality assessment was conducted to identify material issues during the reporting period, thereby adopting the confirmed material issues as the focus for the preparation of this ESG Report. The materiality of issues was reviewed and confirmed by the Board. Please refer to the sections headed "Engaging Stakeholders" for further details.

- "Quantitative" – Supplementary notes are added along with quantitative data disclosed in this ESG Report to explain any standards, methodologies, and source of conversion factors used during the calculation of environmental KPI.

- "Balance" – This report aims to provide a holistic and fair view of the sustainability performance of the Group and has not omitted any information related to material ESG topics.

- "Consistency"- The approach adopted for the preparation of this ESG Report was substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.

III. HKEX ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Governance Structure		
General Disclosure	A statement from the board containing the following elements: (i) A disclosure of the board's oversight of ESG issues; (ii) The board's ESG management approach and strategy, including the process used to evaluate, prioritise and management ESG-related issues (including risks to the issuer's businesses); and (iii) How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	**Sustainability at SOCAM** **– Sustainability Strategies and Governance**
Reporting Principles		
General Disclosure	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report; (a) Materiality: The ESG Report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. (b) Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. (c) Consistency: The issuer should disclose in the ESG Report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	**This report discloses the Group's ESG performance in compliance with the HKEX ESG Reporting Guide. We continue to apply the Reporting Principles of Materiality, Consistency, Quantitative and Balance in preparing our ESG Report.**
Reporting Boundary		
General Disclosure	A narrative explaining the reporting boundaries of the ESG Report and describing the process used to identify which entities or operations are included in the ESG Report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	**About this Report**
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	**During the Year, the Group was not aware of any material non-compliance with environmental-related laws and regulations that would have a significant impact on the Group.**
KPI A1.1	The types of emissions and respective emissions data.	**Performance Data Summary**
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	**Better Environment** **– Combating Climate Risk** **Performance Data Summary**
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	**No significant generation of hazardous waste due to industry**
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	**Better Environment** **– Waste Management** **Performance Data Summary**
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	**Better Environment**
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	**Better Environment** **– Waste Management**

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	**Better Environment** **– Resources Management** **Performance Data Summary**
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	**Performance Data Summary**
KPI A2.2	Water consumption in total and intensity.	**Performance Data Summary**
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	**Better Environment** **– Resources Management**
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	**Due to our geographical locations of our operations, we source our water from the municipal water supply, and do not encounter any issue in sourcing water that is fit for purpose.**
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	**No significant amount of packaging material used due to our industry.**
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	**Better Environment**
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	**Better Environment**
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	**Better Environment** **– Combating Climate Risk**
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	**Better Environment** **– Combating Climate Risk**
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	**During the Year, the Group was not aware of any material non-compliance with any relevant laws and regulations in relation to employment practice that would have a significant impact on the Group.**
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	**Performance Data Summary**
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	**Performance Data Summary**
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	**During the Year, the Group was not aware of any material non-compliance with health and safety related laws and regulations that would have a significant impact on the Group.**
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the Reporting Period.	**Performance Data Summary**
KPI B2.2	Lost days due to work injury.	**Performance Data Summary**
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	**Better Community** **– Occupational Health and Safety**

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	**Better Community – Employee Care**
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	**Performance Data Summary**
KPI B3.2	The average training hours completed per employee by gender and employee category.	**Performance Data Summary**
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	**During the Year, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations, that would have a significant impact on the Group.**
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.1	Description of steps taken to eliminate such practices when discovered.	
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	**Better Environment – From Green Souring to Green Building**
KPI B5.1	Number of suppliers by geographical region.	**Performance Data Summary**
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	**Better Environment – From Green Souring to Green Building**
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	**Better Environment – From Green Souring to Green Building**
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	**Better Environment – From Green Souring to Green Building**
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	**During the Year, the Group was not aware of any incidents of non-compliance with related laws and regulations concerning product responsibility that would have a significant impact on the Group.**
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	**There were no cases of product recall during the Year.**
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	**We do not receive any cases of product or services related complaints during the year.**
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	**Our construction business has limited involvement in intellectual property rights.**
KPI B6.4	Description of quality assurance process and recall procedures.	**Better Economy – Smart Construction**
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	**Better Economy – Smart Construction**
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	**During the Year, the Group was not aware of any material non-compliance with related laws and regulations of anti-corruption that would have a significant impact on the Group.**
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	**No concluded legal case regarding corrupt practices were recorded during the Year.**
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	**Better Economy – Integrity and Ethic – Our Policies**
KPI B7.3	Description of anti-corruption training provided to directors and staff.	**Better Economy – Integrity and Ethic – Our Policies**
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	**Better Community – Community Partnership**
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	**Better Community – Community Partnership**
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	**Performance Data Summary**

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lo Hong Sui, Vincent *GBM, GBS, JP*
Chairman and Executive Director

Mr. Lo Hong Sui, Vincent

GBM, GBS, JP

aged 76, has been the Chairman of the Company since 1997. He is the Chairman of the Shui On Group, which he founded 53 years ago, and the Chairman of Shui On Land Limited ("SOL"), which he established in 2004 and became listed in Hong Kong in 2006. He is also a director of Shui On Company Limited ("SOCL"), the controlling shareholder of the Company, and certain subsidiaries of the Company. Mr. Lo is the Honorary President of the Council for the Promotion & Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government and an Honorary Court Chairman of The Hong Kong University of Science and Technology. He served as a Member of the Board of Directors of Boao Forum for Asia until December 2023. He is currently a Non-executive Director of Great Eagle Holdings Limited, a company listed in Hong Kong. He stepped down as a Non-executive Director of Hang Seng Bank, Limited, a company listed in Hong Kong, in May 2022.

Mr. Lo was awarded the Grand Bauhinia Medal in 2017, the Gold Bauhinia Star in 1998 and appointed a Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region. He was named Businessman of the Year at the Hong Kong Business Awards in 2001 and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2004. He was honoured with "Ernst & Young China Entrepreneur Of The Year 2009" and also, as "Entrepreneur Of The Year 2009" in the China Real Estate Sector. Mr. Lo was made an Honorary Citizen of Shanghai in 1999 and Foshan in 2011. In 2012, the 4th World Chinese Economic Forum honoured Mr. Lo with the Lifetime Achievement Award for Leadership in Property Sector. In 2022, Mr. Lo was named "Life Trustee" by the Urban Land Institute.

Mr. Lee Chun Kong, Freddy
Executive Director and CEO

Ms. Lo Bo Yue, Stephanie
Non-executive Director

Mr. Lee Chun Kong, Freddy

aged 62, re-joined the Shui On Group in May 2019 as the Deputy Chief Executive Officer of the Company and has been an Executive Director and the Chief Executive Officer of the Company since October 2019. Mr. Lee is also a director of certain subsidiaries of the Company. He joined the Shui On Group in 1986 and has nearly 19 years of experience in construction management in Hong Kong and 22 years of experience in property development in Mainland China. Mr. Lee was appointed as an Executive Director and a Managing Director of SOL, a company listed in Hong Kong, in June 2010 and was the Chief Executive Officer of SOL from March 2011 to January 2014. He left the Shui On Group in July 2014. Prior to joining the Company, he was the Senior Managing Director – Projects of the Chongbang Group, a real estate investment and development group in Shanghai. Mr. Lee holds a Master's degree in Construction Management from the City University of Hong Kong and a Bachelor's degree in Quantity Surveying from Reading University, England. He is a Member of the Royal Institution of Chartered Surveyors in the United Kingdom and a Member of the Hong Kong Institute of Surveyors. He currently serves as a Director of Project Mingde Foundation.

Ms. Lo Bo Yue, Stephanie

aged 41, has been a Non-executive Director of the Company since January 2019 and was re-appointed to the office upon expiration of her service contract on 31 December 2022, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with its Bye-laws and other applicable laws, rules and regulations. Ms. Lo is currently an Executive Director of SOL, a company listed in Hong Kong. She is also the Vice Chairman and Executive Director of Shui On Xintiandi Limited, a subsidiary of SOL. She joined the Shui On Group in August 2012 and has over 20 years of working experience in property development industry in Mainland China, architecture and interior design as well as other art enterprises. Prior to joining the Shui On Group, Ms. Lo worked for various architecture and design firms in New York City, amongst which was Studio Sofield, a firm well-known for its capabilities in retail design. She holds a Bachelor of Arts degree in Architecture from Wellesley College in Massachusetts. She currently serves as a Member of the Fourteenth Shanghai Committee of the Chinese People's Political Consultative Conference. She has been selected as a Young Global Leader of the World Economic Forum in 2020. Ms. Lo is the daughter of Mr. Lo Hong Sui, Vincent, being the Chairman of the Company, the elder sister of Mr. Lo Adrian Jonathan Chun Sing, being a member of the senior management of the Company, and a director of SOCL, the controlling shareholder of the Company.

Mr. Chan Wai Kan, George
Non-executive Director

Mr. Chan Kay Cheung
Independent Non-executive Director

Mr. Chan Wai Kan, George

aged 66, was appointed as a Non-executive Director of the Company on 1 September 2023. Mr. Chan rejoined the Shui On Group in July 2017 as the Executive Director of Shui On Investment Company Limited, which is a subsidiary of SOCL, the controlling shareholder of the Company. As from July 2023, Mr. Chan's engagement has shifted to a part time arrangement. He first joined the Shui On Group in January 2007 as the Director of Finance at SOL, a company listed in Hong Kong, and subsequently served as the Executive Director of Finance at China Xintiandi Limited, a subsidiary of SOL. Besides his tenure with the Shui On Group, Mr. Chan had held various senior management positions across a range of enterprises in the real estate, toy, and magazine publishing industries. He was appointed as an Independent Non-executive Director of Town Health International Medical Group Limited, a company listed in Hong Kong, in December 2023. Mr. Chan holds a Bachelor of Science degree in Economics and Accountancy from City, University of London in the United Kingdom and a Master of Business Administration degree from The Chinese University of Hong Kong. He is a Member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. Chan Kay Cheung

aged 77, has been an Independent Non-executive Director of the Company since January 2010 and was re-appointed to the office upon expiration of his service contract on 31 December 2023, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with its Bye-laws and other applicable laws, rules and regulations. Mr. Chan joined The Bank of East Asia, Limited ("BEA") in 1965 and possesses extensive knowledge and experience in the banking industry. He was an Executive Director and the Deputy Chief Executive of BEA and the Vice Chairman of The Bank of East Asia (China) Limited. Mr. Chan is a Fellow of The Hong Kong Institute of Bankers. He currently serves as an Independent Non-executive Director of China Electronics Huada Technology Company Limited and Chu Kong Shipping Enterprises (Group) Company Limited, both of which are listed in Hong Kong.

Mr. Lau Ping Cheung, Kaizer
Independent Non-executive Director

Mr. Wong Hak Wood, Louis
Independent Non-executive Director

Mr. Lau Ping Cheung, Kaizer

aged 72, was appointed as an Independent Non-executive Director of the Company on 1 June 2023. Mr. Lau is a chartered surveyor and has substantial experience and involvements in construction, real estate and infrastructure projects both in Hong Kong and Mainland China. He is currently the Managing Director of Biel Asset Management Company Limited. He worked previously in the Shui On Group for over 17 years until he left in 2017, at which time he held the position of Director – Project Development at SOCAM Asset Management (HK) Limited, a subsidiary of the Company. Mr. Lau is the former President of The Hong Kong Institute of Surveyors and a former Chairman of the Royal Institution of Chartered Surveyors (Hong Kong Branch). He is a former Non-executive Director of the Urban Renewal Authority and a former Member of the HKSAR Legislative Council, the Lantau Development Advisory Committee and the Long Term Housing Strategy Steering Committee. He is also a former Council Member of the City University of Hong Kong and The Hong Kong Polytechnic University as well as a former Member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Lau currently serves as an Independent Non-executive Director of China Resources Mixc Lifestyle Services Limited and SEM Holdings Limited, both of which are listed in Hong Kong. He was also an Independent Non-executive Director of Kingboard Laminates Holdings Limited, a company listed in Hong Kong, until January 2022. He is one of the founders and the Chairman of Hong Kong Coalition of Professional Services. Mr. Lau holds a Higher Diploma in Quantity Surveying from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and a Master degree in Construction Project Management from The University of Hong Kong. He is a Fellow of The Hong Kong Institute of Surveyors.

Mr. Wong Hak Wood, Louis

aged 73, was appointed as an Independent Non-executive Director of the Company on 25 September 2023. Mr. Wong has over 40 years of experience in the construction and property sectors. He joined the Shui On Group in 1981 and had been director of various major operations in its construction and construction materials divisions since 1993. He was an Executive Director of the Company between January 1997 and September 2004 and a Non-executive Director of the Company between September 2004 and June 2006. From October 2008 until his retirement in March 2011, Mr. Wong was an Executive Director of SOL, a company listed in Hong Kong. During his tenure with the Shui On Group, he had also served as the Managing Director of Shui On Properties Limited and a director of SOCL, the controlling shareholder of the Company. Mr. Wong was a Member of the Chinese People's Political Consultative Conference Committee of Luwan District of Shanghai and the Vice President of the Shanghai Real Estate Trade Association. He previously served as a Member of the Construction Industry Training Authority, the First Vice President of the Hong Kong Construction Association, a Director of the Real Estate Developers Association of Hong Kong, a Member of the Construction Advisory Board in Hong Kong, a Member of the Occupational Safety and Health Council in Hong Kong and a Member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption. He holds a Bachelor of Science degree in Civil Engineering from the University of Manchester. He is a Fellow of the Institution of Civil Engineers and a Member of the Hong Kong Institution of Engineers and was a Fellow of the Chartered Institute of Building.

SENIOR MANAGEMENT

Mr. Ko Siu Pang, Raymond

aged 62, is an Executive Director of Shui On Building Contractors Limited and Shui On Construction Company Limited. He also holds directorships in certain other subsidiaries of the Company. Mr. Ko joined the Shui On Group in 1987 and has over 39 years of experience in construction. He holds a Master of Science degree in Project Management from the University of South Australia. He is a Member of The Hong Kong Institution of Engineers and a Council Member of The Hong Kong Construction Association, Limited.

Mr. Fong Sze Hoi, Kevin

aged 47, is the Director and General Manager of Pacific Extend Limited and also a director of certain other subsidiaries of the Company. Mr. Fong worked in the Shui On Group between 2003 and 2008 and re-joined the Group in 2009. He has over 20 years of experience in building maintenance, construction, and management. Mr. Fong obtained two Bachelor's degrees in Architecture and Design Studies from the University of Adelaide, South Australia and an Executive Diploma in Advanced Business Management from the Chinese University of Hong Kong. He is a Member of the Royal Institution of Chartered Surveyors in the United Kingdom and a Member of the Hong Kong Institute of Facility Management.

Mr. Ng Yat Hon, Gilbert

aged 63, is an Executive Director of Pat Davie Limited, specialising in interior fitting out and renovation in Hong Kong and Macau. He also holds directorships in certain other subsidiaries of the Company. Mr. Ng joined the Shui On Group in 1996 and has over 40 years of experience in construction. He holds a Bachelor's degree in Civil Engineering from The University of Manchester and a Master's degree in Project Management from The University of New South Wales. He is a chartered civil engineer.

Mr. Lee Kevin

aged 39, joined the Company in November 2021 as the Head of Smart Facilities Management. He is also a director of Pacific Extend Properties Management Limited and certain other subsidiaries of the Company. Before joining the Company, Mr. Lee pursued a career in investing at Morgan Stanley for over 13 years. Prior to Morgan Stanley, Mr. Lee was a business analyst at McKinsey & Company. He holds Bachelor of Arts degrees in Economics and Statistics from the University of Chicago.

Mr. Lo Adrian Jonathan Chun Sing

aged 35, is the Director – Corporate Development and also a director of certain subsidiaries of the Company. Mr. Lo joined the Company in October 2018 as Executive Assistant to the Chief Executive Officer and was the Head of Corporate Development before he took up the current position in January 2022. Prior to joining the Company, Mr. Lo founded and operated his own restaurant and catering business for five years. Before running his own business, he was a management trainee at Maxims Restaurant Group for two years. He holds a Bachelor of Arts degree in East Asian Studies with a focus in political science from Trinity College, Hartford, CT. Mr. Lo is the son of Mr. Lo Hong Sui, Vincent, the Chairman of the Company, and the younger brother of Ms. Lo Bo Yue, Stephanie, a Non-executive Director of the Company.

Mr. Lam Kwok Kong, Wilson

aged 53, is the Director – Corporate Finance and also a director of certain subsidiaries of the Company. Mr. Lam joined the Company in 2006 and was the General Manager – Finance and Accounts before he took up the current position in January 2019. Prior to joining the Company, Mr. Lam worked in KPMG and has accumulated more than 10 years of accounting, auditing and financial management experience. He holds a Bachelor of Arts degree in Accountancy from the City University of Hong Kong. He is an Associate of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

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

Throughout the year ended 31 December 2023, the Company complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for certain deviations as specified with considered reasons in the sections headed "Board Committees" below.

CORPORATE CULTURE AND STRATEGY

The Company instils a corporate culture across the Group based on adherence to a comprehensive set of corporate governance principles and its commitment to integrity, quality, innovation and excellence. The Board plays a leading role in defining the purpose, vision and values of the Group, setting strategy for sustainability and continuous development of the Group, and in fostering the desired culture in alignment therewith that is reflected consistently in the operating practices of the Group, workplace policies and practices as well as relations with stakeholders.

The Group's Purpose	Vision	Values
To achieve sustained profitability to provide an attractive return to shareholders and to finance growth of the Group	To build a better tomorrow for stakeholders: • Customers To be the top choice contractor/ service provider • Shareholders To create value and return • Employees To be the top choice employer • Society To contribute to economy, environment and community	Shui On Spirit to quest for perfection, characterised by: • Integrity • Ownership • Community • Learning • Enjoyment of work

At the centre of the Company's culture is a determination to improve and innovate, and to conduct business and staff relationships in a spirit of integrity and fair play. Our staff handbook, as supplemented by new employee orientation, staff training programmes and the Employee Recognition Award Scheme implemented in 2023, illustrates the cornerstone and pillars of the corporate culture and provide guidance for working at the organisation.

In 2020, the Company embarked on its sustainable development strategy "Better Tomorrow 2030" with a mission to become a sustainable and resilient business through continuous innovation, talent development and adoption of sustainable practices in business operations. Further details about the strategy are set out in the Environmental, Social and Governance Report contained in this Annual Report. In addition, in 2022, a 10-year vision plan was formulated and adopted by the Board, setting the blueprint of the Group's future development and initiatives for fulfilling its vision next ten years. To tie in with the vision plan, each business division has set its 3-year business plan 2023-2025, which was considered and approved by the Board in principle. The divisions will continuously review their business strategies in light of the prevailing market conditions and provide regular reports to the Board on the implementation progress of their respective business plans.

THE BOARD

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

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

All operational decisions are delegated to the Executive Directors. The day-to-day management, administration and operation of the Group are the responsibilities of senior management of different business divisions, and their functions and work tasks are periodically reviewed. The Board gives clear directions to management as to their powers and circumstances where management should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Group that are outside the limits of the authority given to them by the Board.

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

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

Composition

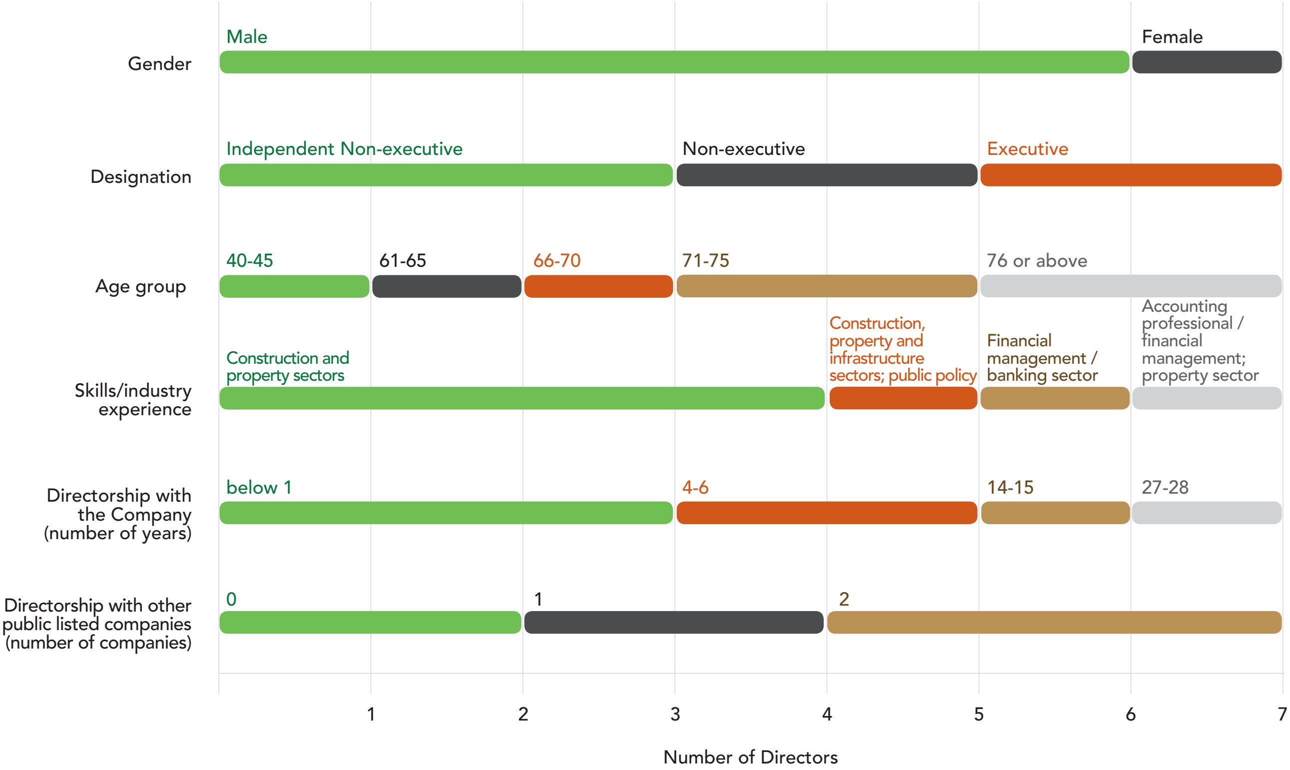
At the date of this report, the Board comprises seven members, including two Executive Directors and five Non-executive Directors, three of whom are Independent Non-executive Directors. The existing composition of the Board is set out as follows:

Executive Directors:	Mr. Lo Hong Sui, Vincent *(Chairman)* Mr. Lee Chun Kong, Freddy *(Chief Executive Officer)*
Non-executive Directors:	Ms. Lo Bo Yue, Stephanie Mr. Chan Wai Kan, George
Independent Non-executive Directors:	Mr. Chan Kay Cheung Mr. Lau Ping Cheung, Kaizer Mr. Wong Hak Wood, Louis

The composition of the Board has been refreshed during 2023:

1 June	– Appointment of Mr. Lau Ping Cheung, Kaizer as Independent Non-executive Director
28 August	– Stepping down of Ms. Li Hoi Lun, Helen as Independent Non-executive Director at the expiration of her service contract
1 September	– Appointment of Mr. Chan Wai Kan, George as Non-executive Director
25 September	– Resignation of Mr. William Timothy Addison as Independent Non-executive Director
25 September	– Appointment of Mr. Wong Hak Wood, Louis as Independent Non-executive Director

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



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

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

Board independence

Board independence is considered an important element of corporate governance. Mechanisms have been established to ensure independent views and input are provided to the Board, which are reviewed by the Board annually to ensure their effectiveness. A summary of such mechanisms is set out below:

- Composition

  The Board ensures the appointment of at least three Independent Non-executive Directors and at least one-third of its members being Independent Non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, Independent Non-executive Directors will be appointed to the Board Committees as far as practicable to ensure independent views are available.

- Independence assessment

  The Nomination Committee strictly adheres to the Nomination Policy with regard to the nomination and appointment of Independent Non-executive Directors, and is mandated to assess annually the independence of Independent Non-executive Directors to ensure that they can continually exercise independent judgment.

- Compensation

  No equity-based remuneration with performance-related elements will be granted to Independent Non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

- Board decision-making

  Directors (including Independent Non-executive Directors) are entitled to seek further information from management on the matters to be discussed at Board meetings and, where necessary, independent advice from external professional advisers at the Company's expense.

  A Director (including Independent Non-executive Director) who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

Throughout 2023 and up to the date of this report, the Board has three Independent Non-executive Directors who comprise more than one-third of the Board, with at least one of them possessing the related financial management expertise. The Audit Committee is comprised solely of Independent Non-executive Directors, all of whom have been appointed to the Remuneration Committee, the Nomination Committee, the Finance Committee and the Investment Committee of the Board.

The Nomination Committee assessed the independence of the new Independent Non-executive Directors upon appointment and also reviewed the annual independence confirmation received from each Independent Non-executive Director, having regard to the criteria under Rule 3.13 of the Listing Rules. The Committee was of the view that all the Independent Non-executive Directors remain independent and free of any relationship that could materially interfere with the exercise of their judgment.

Chairman and Chief Executive Officer

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

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

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

Appointment, re-election and removal of Directors

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

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In 2013, the Board adopted a Board Diversity Policy upon the recommendation of the Nomination Committee with an aim to promote diversity of the Board. A summary of the Board Diversity Policy is provided in the Nomination Committee Report contained in this Annual Report. The implementation of the Board Diversity Policy is annually reviewed by the Nomination Committee to ensure that the Board composition reflects an appropriate mix of skills, experience and diversity that is relevant to the Company's strategy and business and contribute to the effectiveness and efficiency of the Board.

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

In accordance with the Bye-laws of the Company as amended on 31 May 2023, all Directors newly appointed by the Board shall hold office until the first annual general meeting of the Company after their appointment. Besides, every Director shall be subject to retirement by rotation at the annual general meeting of the Company at least once every three years. All retiring Directors shall be eligible for re-election by shareholders at the annual general meeting of the Company. Given the said rotation requirement on Directors having been in place, all the Non-executive Directors (including Independent Non-executive Directors) of the Company were not appointed, or re-appointed upon expiration of their service contracts, for any specific term following the deletion of the relevant code provision from the CG Code in 2022.

In accordance with the Bye-laws of the Company, Ms. Lo Bo Yue, Stephanie, Mr. Chan Wai Kan, George, Mr. Chan Kay Cheung, Mr. Lau Ping Cheung, Kaizer and Mr. Wong Hak Wood, Louis shall retire at the forthcoming annual general meeting of the Company to be held on 30 May 2024. All the said Directors, being eligible, will offer themselves for re-election at the annual general meeting.

Board Committees

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

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

Code provision E.1.2 of the CG Code provides that the terms of reference of the Remuneration Committee should include, amongst 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.

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

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

	Major roles and functions	Composition at the date of this report	Frequency of meetings
Audit Committee	• To review the consolidated financial statements of the Group • To review the accounting policies adopted by the Group and their implementation • To review the effectiveness of the risk management and internal control systems • To review management's assessment of the risks facing the Group, including, amongst others, the environmental, social and governance ("ESG") and corruption risks • To monitor and oversee compliance with the Group's anti-corruption policy • To oversee the engagement of, services provided by and remuneration of the external auditor and its independence • To review and monitor the effectiveness of the internal audit function	**Independent Non-executive Directors** Mr. Chan Kay Cheung *(Chairman)* Mr. Lau Ping Cheung, Kaizer Mr. Wong Hak Wood, Louis (Notes 1, 2 and 4)	At least four times a year
Remuneration Committee	• To make recommendations to the Board on the policy and structure for remuneration of Directors and senior management • To determine the remuneration package of individual Executive Director • To review and approve performance-based remuneration of Executive Directors with reference to the corporate goals and objectives • To review and approve matters relating to share schemes under Chapter 17 of the Listing Rules	**Independent Non-executive Directors** Mr. Lau Ping Cheung, Kaizer *(Chairman)* Mr. Chan Kay Cheung Mr. Wong Hak Wood, Louis **Executive Director** Mr. Lo Hong Sui, Vincent **Non-executive Director** Ms. Lo Bo Yue, Stephanie (Notes 1, 2 and 4)	At least twice a year

	Major roles and functions	Composition at the date of this report	Frequency of meetings
Nomination Committee	• To review the structure, size and composition of the Board at least annually • To make recommendations to the Board on candidates nominated for appointment or re-appointment as Directors in accordance with the Nomination Policy and on succession planning for Directors • To make recommendations to the Board on membership of the Board Committees • To assess the independence of Independent Non-executive Directors • To review annually the time commitment required of Directors • To review the Board Diversity Policy and monitor its implementation	**Executive Director** Mr. Lo Hong Sui, Vincent *(Chairman)* **Non-executive Director** Ms. Lo Bo Yue, Stephanie **Independent Non-executive Directors** Mr. Chan Kay Cheung Mr. Lau Ping Cheung, Kaizer Mr. Wong Hak Wood, Louis (Notes 1, 2 and 4)	At least once a year
Finance Committee	• To set overall financial objectives and strategies for the Group • To adopt a set of financial policies for the Group and oversee its consistent application throughout the Group • To review funding for investment projects/major capital expenditure to be undertaken and advise on the financing viability of the investment projects/major capital expenditure • To monitor cash flow and review financing requirements of the Group and compliance of bank loan covenants	**Executive Director** Mr. Lee Chun Kong, Freddy *(Chairman)* **Non-executive Director** Mr. Chan Wai Kan, George **Independent Non-executive Directors** Mr. Chan Kay Cheung Mr. Lau Ping Cheung, Kaizer Mr. Wong Hak Wood, Louis (Notes 1 to 4)	At least four times a year
Investment Committee	• To review investment and disposal recommendations on target property projects and projects currently owned by the Group respectively • To make recommendation to the Board as to whether the Group should acquire a property project or, as the case may be, dispose of a property project and if so, the terms, timing and strategy • To review the overall investment/divestment strategy of the Group, make recommendation to the Board on any proposed change to the strategy, and monitor its implementation	**Executive Director** Mr. Lee Chun Kong, Freddy *(Chairman)* **Independent Non-executive Directors** Mr. Chan Kay Cheung Mr. Lau Ping Cheung, Kaizer Mr. Wong Hak Wood, Louis (Notes 1, 2 and 4)	On an as needed basis

	Major roles and functions	Composition at the date of this report	Frequency of meetings
Executive Committee	• To monitor the macro business environment and market trends with respect to the current and potential business areas of the Group • To evaluate and set business strategies for ensuring the long-term growth and competitiveness of the core businesses of the Group • To formulate corporate goals and plans and allocate human and financial resources for their execution • To monitor the execution of approved strategies and business plans • To review and approve acquisitions and disposals of assets in the ordinary course of business with investment costs/net book values not exceeding certain thresholds • To review the operating performance and financial position of the Company and its strategic business units on a monthly basis	**Executive Directors** Mr. Lee Chun Kong, Freddy *(Chairman)* Mr. Lo Hong Sui, Vincent **Other key executives** including heads of various business units, the corporate development and finance & accounting functions	Monthly

Notes:

1. Mr. Lau Ping Cheung, Kaizer was appointed as a member of the Audit Committee, the Remuneration Committee, the Nomination Committee, the Finance Committee and the Investment Committee on 1 June 2023 and the Chairman of the Remuneration Committee on 28 August 2023.
2. Ms. Li Hoi Lun, Helen ceased to be a member of the Audit Committee, the Nomination Committee, the Finance Committee and the Investment Committee as well as a member and the Chairman of the Remuneration Committee following her stepping down from the Board on 28 August 2023.
3. Mr. Chan Wai Kan, George was appointed as a member of the Finance Committee on 1 September 2023.
4. Mr. William Timothy Addison ceased to be a member of the Audit Committee, the Remuneration Committee, the Nomination Committee, the Finance Committee and the Investment Committee following his resignation from the Board on 25 September 2023 and Mr. Wong Hak Wood, Louis was appointed to the said Committees in his place on the same date.

The work performed by the Audit Committee, the Remuneration Committee and the Nomination Committee during 2023 is summarised in the separate reports of these Committees contained in this Annual Report.

Board and Board Committee meetings

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

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

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

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

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

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

Access to information

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

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

Directors' commitment

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

The individual attendance records of each Director at the Board and Committee meetings as well as the annual general meeting of the Company held in 2023 are set out below:

	Number of meetings attended/entitled to attend						
Name of Director	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meeting	Finance Committee meetings	Executive Committee meetings	Annual general meeting
Mr. Lo Hong Sui, Vincent	4/4	N/A	2/2	1/1	N/A	4/12	1/1
Mr. Lee Chun Kong, Freddy	4/4	N/A (Note)	N/A	N/A	4/4	12/12	1/1
Ms. Lo Bo Yue, Stephanie	4/4	N/A	2/2	1/1	N/A	N/A	1/1
Mr. Chan Wai Kan, George (appointed on 1/9/2023)	1/1	N/A	N/A	N/A	1/1	N/A	0/0
Ms. Li Hoi Lun, Helen (stepped down on 28/8/2023)	2/2	2/2	1/1	1/1	2/2	N/A	1/1
Mr. Chan Kay Cheung	4/4	4/4	2/2	1/1	4/4	N/A	1/1
Mr. William Timothy Addison (resigned on 25/9/2023)	3/3	3/3	1/1	1/1	3/3	N/A	1/1
Mr. Lau Ping Cheung, Kaizer (appointed on 1/6/2023)	2/2	2/2	1/1	0/0	2/2	N/A	0/0
Mr. Wong Hak Wood, Louis (appointed on 25/9/2023)	1/1	1/1	1/1	0/0	1/1	N/A	0/0

Note: By invitation, Mr. Lee Chun Kong, Freddy, being the Chief Executive Officer of the Company, attended all meetings of the Audit Committee held in 2023.

Induction, training and continuous professional development

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

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

During 2023, in addition to attending management briefings and reviewing papers in relation to the Group's businesses and strategies, the Directors participated in the following training activities arranged by the Company:

	Reading materials		Attending seminars		
Name of Director	Regulatory updates/corporate governance/ directors' duties	Financial reporting and related internal control matters	Construction labour market	ESG/economy	Financial reporting and accounting standards update
Mr. Lo Hong Sui, Vincent	✓	✓	✓		
Mr. Lee Chun Kong, Freddy	✓	✓	✓	✓	✓
Ms. Lo Bo Yue, Stephanie	✓	✓	✓		
Mr. Chan Wai Kan, George (appointed on 1/9/2023)	✓				
Ms. Li Hoi Lun, Helen (stepped down on 28/8/2023)	✓	✓			
Mr. Chan Kay Cheung	✓	✓	✓	✓	✓
Mr. William Timothy Addison (resigned on 25/9/2023)	✓	✓	✓		
Mr. Lau Ping Cheung, Kaizer (appointed on 1/6/2023)	✓	✓	✓		✓
Mr. Wong Hak Wood, Louis (appointed on 25/9/2023)	✓			✓	✓

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

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

Directors' insurance

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

THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 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 2023.

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

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

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

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

Annual report and financial statements

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

Accounting policies

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

Accounting records

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

Safeguarding assets

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

Going concern

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

EXTERNAL AUDITOR'S REMUNERATION

The Company has in place a Policy on Engaging Non-audit Services from External Auditor to ensure that the independence and objectivity of the Company's external auditor would not be impaired by its provision of any non-audit services to the Group or any entity that controls the Group directly or indirectly.

For the year ended 31 December 2023, the remuneration paid/payable to the external auditor of the Company, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services amounted to approximately HK$4.6 million and HK$1.51 million respectively. The fees for provision of the non-audit services by the external auditor are set out as follows:

Non-audit services	Fees (HK$'000)
Review of the interim report of the Company for the six months ended 30 June 2023	1,300
Report on the continuing connected transactions of the Company for the year ended 31 December 2023	60
Agreed-upon procedures in relation to the preliminary results announcement of the Company for the year ended 31 December 2023	55
Agreed-upon procedures in relation to the Shui On Provident and Retirement Scheme for the year ended 31 August 2023	46
Tax filing for Pat Davie (Macau) Limited, a subsidiary of the Company	48

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

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

The Board has conducted a review of the Group's risk management and internal control systems for the year ended 31 December 2023, including financial, operational and compliance controls, and assessed the effectiveness of such systems by considering the work performed by the Audit Committee, executive management, external and internal auditors. The Board was satisfied that the systems are effective and adequate for their purposes.

Internal audit

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

The senior executive in charge of CE attends all Audit Committee meetings to explain the internal audit findings and respond to queries from members. Four meetings were held by the Audit Committee in 2023 and details of the major areas reviewed are set out in the Audit Committee Report contained in this Annual Report. The Audit Committee regularly reviews the risk-based audit plan and progress as well as key performance indicators relating to the work of CE and considers its view on the latest specific risk assessments of the Group.

Risk management and internal control

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

A Risk Management Policy has been put in place to ensure the regular identification, assessment and management of the risks faced by the Group. The Chief Executive Officer, as Chief Risk Officer, takes the lead in the effective implementation of the Risk Management Policy by all business and functional units. Risk assessment and prioritisation are an integral part of the annual planning process. Each business/functional unit is to set its strategic objectives, identify specific risks and assess the effectiveness of its risk management actions and internal control measures to help ensure that the risks it faces are addressed by the controls that have been or will be implemented. Adequacy and effectiveness of the risk management and internal control systems of the Group shall be confirmed by management in written form and independently appraised by CE with the result submitted to the Audit Committee and the Board. Adequate in-house and external trainings are arranged for management staff to ensure proper appreciation and implementation of risk management system. During 2023, CE carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group through, among others, observation in a discussion session of the Management Committee and examination of risk-related documentation as well as internal control self-assessment questionnaires developed with reference to the latest framework of The Committee of Sponsoring Organisations of the Treadway Commission. Further details about the Group's risk management framework and process are set out in the Risk Management Report contained in this Annual Report.

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

Business ethics and whistle-blowing policies

The Group is firmly committed to the principles of fair play, honesty and integrity, all constituting its important business assets. To protect the Group against fraud, faithlessness or corruption cases, all employees are required to uphold the standards of professionalism and business ethics as set out in the Company's Business Ethics Policy Statement and act in accordance with the Group's Code of Conduct on Business Ethics. To ensure employees fully understand the Business Ethics Policy and the Code of Conduct, all new employees are required to attend a business ethics seminar organised by the Human Resources Department once onboard. In addition, integrity and ethics training is provided regularly to employees to keep them abreast of the latest best practices.

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

SHAREHOLDER AND INVESTOR RELATIONS

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

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars published in accordance with the Listing Rules. Such published documents, together with the latest corporate information and news, are available on the Company's website. Besides, information requests/enquiries from shareholders (through the channels as set out in the section below) are welcomed and will be timely responded as appropriate.

The annual general meetings and other general meetings of the Company provide a valuable forum for the Board to communicate directly with shareholders. The Chairman of the Board or, in his absence, the Chief Executive Officer chairs the general meetings to answer any questions from shareholders. In addition, the chairpersons of the various Board Committees, or in their absence, other members of the relevant Committees and the Company's external auditor or relevant professional advisers are available to answer questions at the meetings. An open session is always arranged after the conclusion of the general meetings to provide a face-to-face opportunity for shareholders to express their views and for the Company to solicit and get feedback from shareholders.

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

Having considered the multiple channels of communication and engagement in place, the Board is satisfied that the Shareholders' Communication Policy has been properly implemented and is effective.

Systems are in place for the protection and proper disclosure of information that has not already been made public. In this respect, the Company's Disclosure Policy was adopted by the Board in 2012 to set out the Company's approach towards the determination and dissemination of inside information and the circumstances under which the confidentiality of information shall be maintained. The Policy is reviewed by the Board from time to time to ensure its appropriateness in light of any regulatory changes and the needs of the Company. The Directors adhere strictly to the statutory requirement for their responsibilities of keeping information confidential.

SHAREHOLDERS' RIGHTS

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

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

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

CONSTITUTIONAL DOCUMENTS

With the approval of shareholders at the annual general meeting of the Company held on 31 May 2023, the Bye-laws of the Company were amended with the primary objective to enable the Company to convene and hold electronic or hybrid general meetings, to conform to the core shareholder protection standards set out in the amended Listing Rules, to reflect the prevailing requirements under the applicable laws of Bermuda and to make other housekeeping changes. The updated version of the Company's Memorandum of Association and Bye-laws is available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE ENHANCEMENT

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

On behalf of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 27 March 2024

AUDIT COMMITTEE REPORT

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

Mr. Chan Kay Cheung *(Chairman)*
Mr. Lau Ping Cheung, Kaizer
Mr. Wong Hak Wood, Louis

The composition of the Audit Committee was changed during 2023:

1 June	– Appointment of Mr. Lau Ping Cheung, Kaizer as member
28 August	– Cessation of Ms. Li Hoi Lun, Helen as member following her stepping down from the Board at the expiration of her service contract
25 September	– Cessation of Mr. William Timothy Addison as member following his resignation from the Board
25 September	– Appointment of Mr. Wong Hak Wood, Louis as member

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

ROLE AND DUTIES

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

SUMMARY OF WORK DONE

The Audit Committee held four meetings in 2023. Members' attendance records at the Committee meetings are set out in the Corporate Governance Report contained in this Annual Report.

During 2023, the Audit Committee:

- reviewed and discussed with management and external auditor the audited consolidated financial statements of the Group for the year ended 31 December 2022 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related final results announcement, with a recommendation to the Board for approval after due consideration given to the matters raised by staff responsible for the accounting and financial reporting, compliance and internal audit functions;
- reviewed the disclosures in the Corporate Governance Report, the Audit Committee Report, the Risk Management Report and the Environmental, Social and Governance ("ESG") Report included in the 2022 Annual Report of the Company, with a recommendation to the Board for approval;
- reviewed and discussed with management and external auditor the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related interim results announcement, with a recommendation to the Board for approval;
- reviewed and considered the reports and management letters submitted by the external auditor, which summarised matters arising from its audit of the Group's consolidated financial statements for the year ended 31 December 2022 and its review of the Group's condensed consolidated financial statements for the six months ended 30 June 2023;
- reviewed and considered the reports of the Company's Corporate Evaluation Department ("CE", which undertakes the internal audit function) on the business risks and the operational and/or financial controls of some of the Group's construction projects in Hong Kong and property projects in Mainland China;
- reviewed and considered the reports of CE on the operational and/or financial controls of the Group's fitting-out and property management businesses;
- reviewed and considered the report of CE on the test check of special control points responded by management in the self-assessment questionnaire for the review of the Group's internal control systems;

- reviewed the report of the Company's Sustainability Steering Committee on the implementation of the sustainability strategic plan of the Group;
- considered and approved the proposed amendments to the Company's Policy on Engaging Non-audit Services from External Auditor;
- considered and endorsed the proposed amendments to the Company's Risk Management Policy, with a recommendation to the Board for approval;
- conducted an annual review of the Company's Whistle-blowing Policy;
- reviewed the quarterly updates of CE on the risk situation of the Group;
- reviewed the quarterly reports of CE on connected transactions, including the compliance of the Company Policy on Connected Transactions;
- reviewed and considered the adequacy of the Group's provisions for doubtful debts on a quarterly basis;
- reviewed and considered the scope of work and fee proposals of the external auditor for the review of the Group's condensed consolidated financial statements for the six months ended 30 June 2023 and for the audit of the Group's consolidated financial statements for the year ended 31 December 2023;
- reviewed the CE's key performance indicators, work progress and resources planning on a quarterly basis as well as its annual and 3-year work programmes; and
- conducted a review of the effectiveness of the risk management and internal control systems of the Group at the year end, which covered material risks relating to, amongst others, ESG and corruption, and all material controls in financial, operational and compliance areas and included a review of the adequacy of resources, staff qualifications and experience, and training programmes and budgets of the Group's accounting, financial reporting and internal audit functions, as well as those relating to the Group's ESG performance and reporting.

The Committee members also serve as the contact persons under the Whistle-blowing Policy of the Company. No complaint was received in 2023 through this channel.

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

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

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

Subsequent to the financial year end, the Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2023, including the accounting principles and practices adopted by the Group, in conjunction with the external auditor, with a recommendation to the Board for approval.

The Committee was satisfied with the external auditor's work, its independence and objectivity, and therefore recommended the re-appointment of Deloitte Touche Tohmatsu as the Company's external auditor for 2024 for shareholders' approval at the forthcoming annual general meeting of the Company.

Chan Kay Cheung
Chairman, Audit Committee

Hong Kong, 27 March 2024

REMUNERATION COMMITTEE REPORT

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

Mr. Lau Ping Cheung, Kaizer *(Chairman)*
Mr. Lo Hong Sui, Vincent
Ms. Lo Bo Yue, Stephanie
Mr. Chan Kay Cheung
Mr. Wong Hak Wood, Louis

The composition of the Remuneration Committee was changed during 2023:

1 June	– Appointment of Mr. Lau Ping Cheung, Kaizer as member
28 August	– Cessation of Ms. Li Hoi Lun, Helen as member and Chairman following her stepping down from the Board at the expiration of her service contract
28 August	– Appointment of Mr. Lau Ping Cheung, Kaizer as Chairman
25 September	– Cessation of Mr. William Timothy Addison as member following his resignation from the Board
25 September	– Appointment of Mr. Wong Hak Wood, Louis as member

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

ROLE AND DUTIES

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

The Remuneration Committee is given the tasks to:

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

Code provision E.1.2 of the Corporate Governance Code (the "CG Code") set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange provides that the terms of reference of the Remuneration Committee should include, amongst 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.

REMUNERATION POLICY

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

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

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

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

REMUNERATION STRUCTURE

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

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

Cash remuneration components	Proportion
Salary and other benefits	Half
Bonus for achievement of targets (based 100% on corporate performance)	Half

Where appropriate, to recognise the contribution of Mr. Freddy Lee, the bonus element could be increased, relative to performance delivered, by up to twice the amount that would be given normally. The Remuneration Committee assesses each year the achievement of the targets of corporate performance preset for Mr. Freddy Lee based on the Balanced Scorecard framework and determines the amount of his annual bonus accordingly.

Further details about the remuneration of the Directors and senior management of the Company are set out in the sections below.

REMUNERATION OF DIRECTORS

The remuneration paid to the Directors of the Company for the year ended 31 December 2023 was as follows:

	Director's fees (Note 1) HK$'000	Salary and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	For the year ended 31 December 2023 Total HK$'000
Executive Directors				
Mr. Lo Hong Sui, Vincent	10	–	–	10
Mr. Lee Chun Kong, Freddy	10	5,847 (Note 2)	266	6,123
Non-executive Directors				
Ms. Lo Bo Yue, Stephanie	315	–	–	315
Mr. Chan Wai Kan, George (appointed on 1/9/2023)	105	–	–	105
Independent Non-executive Directors				
Ms. Li Hoi Lun, Helen (stepped down on 28/8/2023)	361	–	–	361
Mr. Chan Kay Cheung	595	–	–	595
Mr. William Timothy Addison (resigned on 25/9/2023)	381	–	–	381
Mr. Lau Ping Cheung, Kaizer (appointed on 1/6/2023)	314	–	–	314
Mr. Wong Hak Wood, Louis (appointed on 25/9/2023)	139	–	–	139
TOTAL	2,230	5,847	266	8,343

Notes:

1. According to the fee schedule as approved by the Board for the year ended 31 December 2023, each Executive Director was entitled to an annual fee of HK$10,000 while a Non-executive Director or an Independent Non-executive Director was entitled to an annual fee of HK$250,000. In addition, a Non-executive Director or an Independent Non-executive Director also received an annual fee for his chairmanship or membership in the following Board Committees:

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

2. The amount represents the salary and other benefits of Mr. Freddy Lee for his employment as Executive Director and Chief Executive Officer for the year ended 31 December 2023.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration paid to the members of senior management for the year ended 31 December 2023 was within the following bands:

	Number of individuals*
HK$2,000,001 – HK$3,000,000	4
HK$5,000,001 – HK$6,000,000	1
HK$6,000,001 – HK$7,000,000	1

* refer to the members of senior management whose biographical details are set out in this Annual Report

SERVICE CONTRACTS

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

SUMMARY OF WORK DONE

The Remuneration Committee held two meetings in 2023. Members' attendance records at the Committee meetings are set out in the Corporate Governance Report contained in this Annual Report.

During 2023, the Remuneration Committee:

- considered and determined that no bonus be awarded to the Executive Director and Chief Executive Officer, Mr. Freddy Lee, in view of the financial loss of the Group for the year ended 31 December 2022, in accordance with the Company's executive target bonus scheme;
- reviewed and endorsed the Remuneration Committee Report included in the 2022 Annual Report of the Company, with a recommendation to the Board for approval;
- considered and approved the 2023 key performance indicators set for the Executive Director and Chief Executive Officer based on the Balanced Scorecard framework; and
- considered and approved the recommendation of no salary increment for 2024 for the Executive Director and Chief Executive Officer, in line with the Company's decision of salary freeze for staff members at deputy general manager or above grades, and reviewed the 2024 salary review guidelines for the Group as a whole.

Lau Ping Cheung, Kaizer
Chairman, Remuneration Committee

Hong Kong, 27 March 2024

NOMINATION COMMITTEE REPORT

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

Mr. Lo Hong Sui, Vincent *(Chairman)*
Ms. Lo Bo Yue, Stephanie
Mr. Chan Kay Cheung
Mr. Lau Ping Cheung, Kaizer
Mr. Wong Hak Wood, Louis

The composition of the Nomination Committee was changed during 2023:

1 June	– Appointment of Mr. Lau Ping Cheung, Kaizer as member
28 August	– Cessation of Ms. Li Hoi Lun, Helen as member following her stepping down from the Board at the expiration of her service contract
25 September	– Cessation of Mr. William Timothy Addison as member following his resignation from the Board
25 September	– Appointment of Mr. Wong Hak Wood, Louis as member

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

ROLE AND DUTIES

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

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

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

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In 2013, upon the recommendation of the Nomination Committee, a Board Diversity Policy was adopted by the Board with an aim to promote diversity of the Board.

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

At its meeting in March 2024, the Nomination Committee performed an annual review of the implementation of the Board Diversity Policy. The Board composition was assessed against the objective criteria for diversity according to the policy. An analysis of the existing Board composition is set out in the Corporate Governance Report contained in this Annual Report. The Committee considers that the Board now has an appropriate mix of skills, experience and diversity among its members in light of the business needs of the Group, contributing to the effectiveness and efficiency of the Board. For future appointments to the Board, the Committee opines that high emphasis should be placed on professional experience, skills, knowledge and educational background which are important elements to be taken into account in view of the prevailing business strategy of the Group, and it is not appropriate to set specific requirements for such criteria as gender, ethnicity and age although due consideration should also be given to these criteria for the benefits of diversity. The Company currently has a female Director out of seven Board members. While the gender diversity of the Board is considered satisfactory, to further promote gender diversity, the Board will take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

The gender ratio of the Group's workforce was 62.5% male (including senior management)/37.5% female as of 31 December 2023. The predominant image of construction, being the core business of the Group, is that of a male-dominated industry requiring brute strength and good tolerance for outdoor conditions. Furthermore, the construction industry is suffering from labour shortage and there is more work for the industry to do to promote its image in order to attract new entrants, whether male or female. Given the circumstances, it would not be appropriate for the Group to set any specific target of gender diversity for its workforce. Nevertheless, the Group is committed to providing equal opportunities to suitable candidates and staff for employment, learning and development, and job advancement regardless of gender.

NOMINATION POLICY

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

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

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

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

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

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

SUMMARY OF WORK DONE

The Nomination Committee held one meeting and passed five written resolutions in 2023. Members' attendance records at the Committee meeting are set out in the Corporate Governance Report contained in this Annual Report.

During 2023, the Nomination Committee:

- reviewed the structure, size and composition of the Board and the implementation of the Board Diversity Policy;
- reviewed the independence of the Independent Non-executive Directors;
- reviewed the time commitment required of Directors to perform their responsibilities;
- reviewed and endorsed the Nomination Committee Report included in the 2022 Annual Report, with a recommendation to the Board for approval;
- considered the nomination of two retiring Directors for the Board's recommendation to stand for re-election by shareholders at the 2023 annual general meeting of the Company;
- considered the proposed appointment of a Non-executive Director and two Independent Non-executive Directors, with recommendations to the Board for approval;
- considered the proposed appointment of the new Directors to the Board Committees, with recommendations to the Board for approval; and
- considered the proposed renewal of service contract with an Independent Non-executive Director, with a recommendation to the Board for approval.

Lo Hong Sui, Vincent
Chairman, Nomination Committee

Hong Kong, 27 March 2024

RISK MANAGEMENT REPORT

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

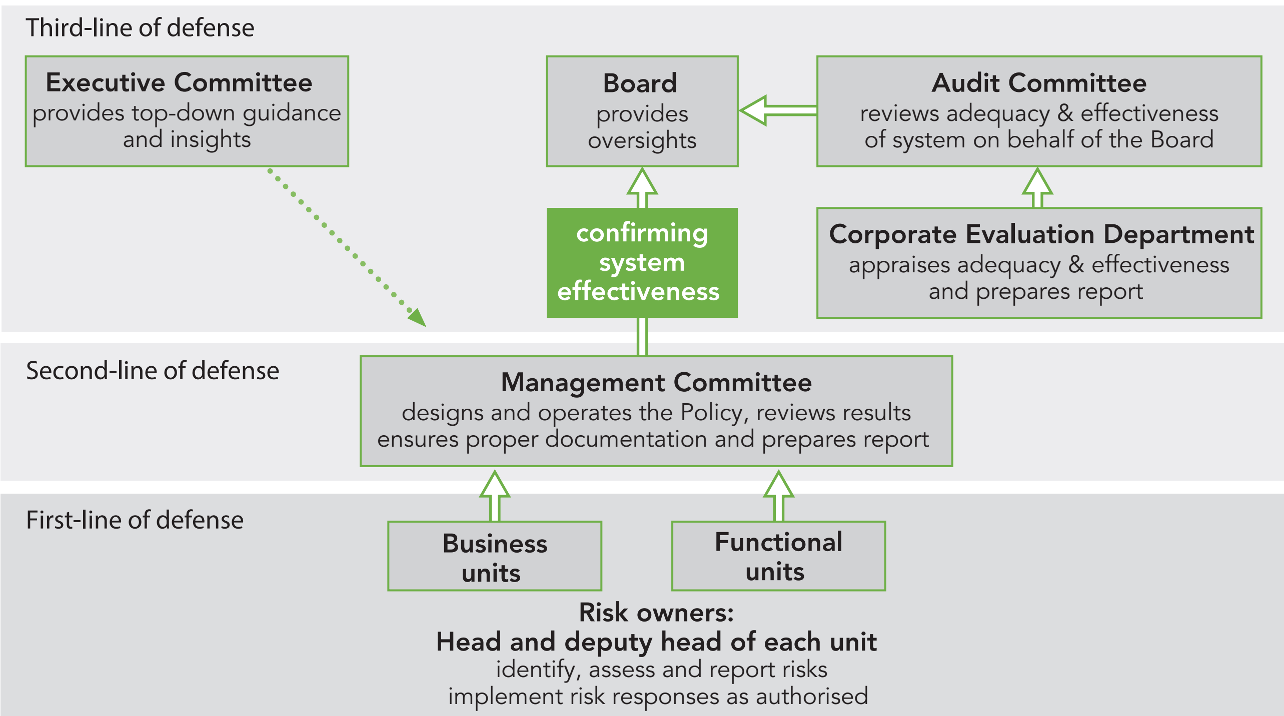
The Company has implemented a Risk Management Policy (the "Policy") since 2007 after the revision of the Code on Corporate Governance (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which required the Directors to review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

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

As a result of the above and with considerations on the Group's circumstances, management proposed a number of important amendments to the Policy, which took effect in December 2017 after the review of the Audit Committee and approval of the Board. As recommended by the Audit Committee and approved by the Board, the Policy was further refined in 2019 and 2023 with the risk appetite statement therein more clearly defined and the inclusion of the building maintenance and minor works operation as a separate business unit for risk management purpose.

RISK GOVERNANCE STRUCTURE

The risk governance structure of the Company is depicted below:



Legend:
accountability in risk management system

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

With the assistance of CE, the Audit Committee annually conducts a review of the effectiveness of the system of risk management, which covers all material risks, including, amongst others, those relating to environmental, social and governance ("ESG"), with reference to the approaches suggested by the Institute of Internal Auditors and report to shareholders in the Annual Report of the Company. The senior executive in charge of CE has full access to all risk documentation for the purpose of independent appraisal of the adequacy and effectiveness of the risk management system, and quarterly gives updates on the risk situation of the Group to the Audit Committee for monitoring.

FEATURES OF RISK MANAGEMENT POLICY

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

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

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

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

Business units represent classification of the Group's operations, core ones currently being the construction (including new works, building maintenance and minor works, and fitting out) and property divisions. They may be changed over time with the development of the Group's business activities. Functional units represent legal, company secretarial & compliance, finance & accounting, human resources, and corporate communications.

RISK MANAGEMENT PROCESS

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

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

- Risk reporting – risk owners submit annually the Policy Compliance Checklist, while the Management Committee and CE annually prepare a report to illustrate the Group's risk management initiatives, latest risk portfolio, and the result of independent appraisal.

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

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

APPROACHES OF RISK IDENTIFICATION AND MONITORING

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

Bottom-up approach:

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

Top-down approach:

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

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

RISK MANAGEMENT IN STRATEGY AND BUSINESS OBJECTIVES SETTING PROCESS

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

The principal risks currently being managed by the Group include:

Risks and change of levels from last year		Risk responses
Construction segment		
Concentration on key customers offering uneven workload due to changes of the HKSAR Government's housing policies, policy on expenditure on public new works and maintenance works	↔	Accept and monitor
Keen competition in the fit-out market with reduced workload in Hong Kong	↔	Focus on the high-end market; sharpen management skills to earn reputation of project performance with good business relationship; strive for customer satisfaction and quality excellence
Tightening of regulatory actions, especially in regard to site safety	↑	Provision of sufficient training programs/courses to mitigate risk intensively, along with the adoption of new technology and AI applications

Risks and change of levels from last year		Risk responses
Abrupt changes in material prices and labour wages	↑	Give careful considerations during tendering stage; make provisions for the forecast changes in material prices and labour wages, and pre-bid with competent suppliers and subcontractors for certain trades
Workmanship and material usage non-compliance	↔	Strictly implement the enhanced quality assurance system on site
Ineffective procurement and subcontracting systems	↔	Strictly enforce the tender process and controls
Adequacy of competent and loyal staff, who may not be retained without abrupt changes in pay levels	↔	Keep up the training effort; actively expand recruitment channels; improve development measures and initiatives to enhance staff commitment and engagement, as well as to reinforce staff loyalty and sense of belonging; regularly monitor pay level movements and take pro-active measures in reviewing pay levels
Availability of competent nominated and domestic subcontractors, which are suffering from shortage of skilled labour, while shortage of reliable suppliers may arise	↔	Continue to identify good performance subcontractors and suppliers and maintain good relationship with them; carefully consider the forecast change in labour wages; make effective use of credit terms
Complexity of contract clauses and potential contractual claims	↔	Carefully review and provide allowance for the risks of complex clauses and potential contractual claims in tenders
Property segment		
Over-supply of shopping malls in major Mainland cities, coupled with increased competition on lifestyle malls	↓	Closely monitor business performance; adjust composition of the tenants
Unstable business of the existing tenants caused by a consumption downgrade in the retail market	**New**	Organise more sales and promotion activities to attract new customers and tenants
Keen competition among retail properties in Tianjin for strata-title sales	↔	Maintain part of the strata-title properties in Tianjin Veneto for lease
Others		
Unexpected fluctuation of exchange rates, in particular Renminbi against Hong Kong Dollars	↓	Take out currency hedging contracts as appropriate; continue to monitor closely the movements of Renminbi
Rise in market interest rate and interest rates margin on the Group's bank borrowings	↑	Closely monitor market trend of global and local lending markets and enter swap or hedging arrangement or issue fixed coupon medium term bonds when appropriate

Risks and change of levels from last year		Risk responses
Manpower effectiveness in meeting change of business strategy	↔	Carry out special review of manpower of relevant business operations at time of change in business strategy
Loss of experienced and competent staff	↔	Monthly monitor staff turnover rate, and understand reasons for leaving with follow-up actions
Succession planning for key positions in the Group	↓	Plan and execute management development for the Company and its subsidiaries
Reputation risk arising from business operation crisis	↔	Conduct workshops for both management and operational staff

PROCESS FOR REVIEW OF RISK MANAGEMENT SYSTEM

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

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

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

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

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

During 2023, the Audit Committee quarterly queried the Chief Executive Officer and finance executives about identified risks and management's responses, and conducted a review of the effectiveness of the risk management system, with reference to the approaches suggested by the Institute of Internal Auditors. The affirmative result was reported to the Board.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries and joint ventures are set out in notes 38 and 39 to the consolidated financial statements respectively.

BUSINESS REVIEW

A fair review of the businesses of the Group during 2023 and a discussion on the Group's business outlook are provided in the Chairman's Statement and the Management Discussion and Analysis sections of this Annual Report. A description of the principal risks and uncertainties facing the Group can be found in the abovementioned sections and the Environmental, Social and Governance Report as well as the Risk Management Report contained in this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in note 35 to the consolidated financial statements. The Directors are not aware of any important events affecting the Group that have occurred since the end of the financial year on 31 December 2023.

An analysis of the Group's performance during 2023 using financial key performance indicators is provided in the Financial Highlights and Financial Review sections of this Annual Report. In addition, discussions on the Group's environmental policies, including compliance with the relevant laws and regulations that have a significant impact on the Group, and relationships with its key stakeholders are included in the Environmental, Social and Governance Report contained in this Annual Report.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the Consolidated Statement of Profit or Loss.

The Board of Directors does not recommend the payment of a final dividend.

DIVIDEND POLICY

Declaration of dividends by the Company is subject to compliance with applicable laws of Bermuda and the Bye-laws of the Company (as amended from time to time) (the "Bye-laws"). In determining whether to propose a dividend and the dividend amount, the Board will take into account a number of factors including but not limited to the Group's financial performance and cashflow, future funding needs, restrictions under any loan covenants as well as prevailing economic and market conditions. The distribution of dividends to shareholders can be by way of cash or scrip or partly by cash or scrip or in such other manner as determined by the Board from time to time.

Subject to the factors described above, there is no assurance that dividends will be paid in any particular amount or manner for any period and the dividend pay-out ratio may vary from year to year.

SHARE CAPITAL

Details of the movements in the share capital of the Company during 2023 are set out in note 27 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during 2023 are set out in the Consolidated Statement of Changes in Equity.

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended from time to time), the contributed surplus of the Company is also available for distribution or payment of dividends to shareholders in certain circumstances.

At 31 December 2023, the Company's contributed surplus available for distribution to shareholders amounted to approximately HK$1,929 million.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during 2023 are set out in note 13 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during 2023 are set out in note 14 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during 2023 and up to the date of this report are as follows:

Executive Directors:

Mr. Lo Hong Sui, Vincent

Mr. Lee Chun Kong, Freddy

Non-executive Directors:

Ms. Lo Bo Yue, Stephanie

Mr. Chan Wai Kan, George
(appointed on 1 September 2023)

Independent Non-executive Directors:

Mr. Chan Kay Cheung

Mr. Lau Ping Cheung, Kaizer
(appointed on 1 June 2023)

Mr. Wong Hak Wood, Louis
(appointed on 25 September 2023)

Ms. Li Hoi Lun, Helen
(stepped down on 28 August 2023)

Mr. William Timothy Addison
(resigned on 25 September 2023)

In accordance with Bye-law 86(2) of the Bye-laws, Mr. Chan Wai Kan, George, Mr. Lau Ping Cheung, Kaizer and Mr. Wong Hak Wood, Louis shall retire at the forthcoming annual general meeting (the "2024 AGM") of the Company to be held on 30 May 2024. In addition, in accordance with Bye-law 87(1) of the Bye-laws, Ms. Lo Bo Yue, Stephanie and Mr. Chan Kay Cheung shall retire by rotation at the 2024 AGM. All the said Directors, being eligible, offer themselves for re-election.

No Director proposed for re-election at the 2024 AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INDEMNITIES

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

At 31 December 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 C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in the shares of the Company

Name of Director	Number of shares			Total	Approximate percentage of issued shares (Note 1)
	Personal interests	Family interests	Other interests		
Mr. Lo Hong Sui, Vincent ("Mr. Lo")	–	312,000 (Note 2)	236,309,000 (Note 3)	236,621,000	63.37
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	63.29

Notes:

1. Based on 373,352,164 shares of the Company in issue at 31 December 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 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 an associated corporation of the Company

Name of Director	Name of associated corporation	Number of shares			Total	Approximate percentage of issued shares (Note 1)
		Personal interests	Family interests	Other interests		
Mr. Lo	Shui On Land Limited ("SOL")	–	1,849,521 (Note 2)	4,511,756,251 (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 31 December 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 SOP was a wholly-owned subsidiary of SOI which in turn was an indirect wholly-owned subsidiary of SOCL. NRI was a wholly-owned subsidiary of the Company which in turn was a 63.29%-owned subsidiary of SOCL. SOCL was held under the Bosrich Unit Trust. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and both Mr. Lo and Ms. Lo were discretionary beneficiaries. Accordingly, Mr. Lo and Ms. Lo were deemed to be interested in such shares under the SFO.

(c) Interests in the debentures of an 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	6.15% senior notes due 2024	US$12,400,000 (Note 2)
		Trust interests	5.50% senior notes due 2025	US$2,400,000 (Note 3)
		Family interests	5.50% senior notes due 2025	US$1,400,000 (Note 4)
Ms. Lo	SODH	Trust interests	6.15% senior notes due 2024	US$12,400,000 (Note 2)
		Trust interests	5.50% senior notes due 2025	US$2,400,000 (Note 3)

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, an indirect wholly-owned subsidiary of SOCL, as to US$11,400,000 and by the Company, a 63.29%-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. 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.
4. 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 31 December 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 31 December 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)	63.25
SOCL	Beneficial owner	235,873,000 (Notes 3, 4 & 6)	63.17
Bosrich Holdings (PTC) Inc. ("Bosrich")	Trustee	235,873,000 (Notes 3, 4 & 6)	63.17
HSBC International Trustee Limited ("HSBC Trustee")	Trustee	235,873,000 (Notes 3, 4 & 6)	63.17
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 373,352,164 shares of the Company in issue at 31 December 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 31 December 2023, SOCL beneficially owned 236,309,000 shares representing approximately 63.29% 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 31 December 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 2023, neither the Company nor any of its subsidiaries had any share scheme under Chapter 17 of the Listing Rules.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

At no time during 2023 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During 2023, the Company bought back a total of 106,000 shares on the Stock Exchange for an aggregate consideration of approximately HK$113,260. All the bought-back shares were subsequently cancelled. Particulars of the share buy-backs are as follows:

Month	Number of shares bought back	Purchase price per share		Approximate amount of consideration
		Highest	Lowest	
		HK$	HK$	HK$
July	100,000	1.100	1.077	108,940
November	6,000	0.720	0.720	4,320
Total	106,000			113,260

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during 2023.

CORPORATE GOVERNANCE

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

CONNECTED TRANSACTIONS

During 2023, a subsidiary of the Company entered into the following transactions which constituted non-exempt connected transactions of the Company and are required to be disclosed herein under Chapter 14A of the Listing Rules.

Transactions in relation to call option over shares in Shui On Contractors Limited ("SOCON")

Reference is made to the call option (the "Call Option") granted by Mr. Lee Kwok Fai ("Mr. K.F. Lee") in respect of the 4 shares of SOCON sold to him by the Company under the sale and purchase agreement dated 4 August 2017 (as amended by the supplemental agreement dated 26 May 2020) (the "Sale and Purchase Agreement") as disclosed in the announcement of the Company dated 4 August 2017. SOCON is a non-wholly owned subsidiary of the Company, which via its subsidiaries principally engages in construction and maintenance works in Hong Kong and Macau.

Pursuant to the terms of the Call Option as set out in the Sale and Purchase Agreement, on 28 April 2023, the Company served a written notice on Mr. K.F. Lee, who retired and ceased to be an employee on 1 April 2023 upon which the Call Option has become exercisable, to partially exercise the Call Option to acquire 2 of his 4 SOCON shares, representing 1% of the issued share capital of SOCON, free from all encumbrances (the "Acquisition") for a consideration of approximately HK$16.39 million, which is equal to the exercise price of the Call Option in relation to the 2 SOCON shares under the Acquisition and was determined based on the adjusted pro-forma consolidated net asset value of SOCON and its subsidiaries (the "SOCON Group") as at 31 March 2023.

In addition, on 28 April 2023, the Company entered into a deed of agreement (the "Deed") with Mr. K.F. Lee whereby the Company agreed not to exercise the Call Option in relation to the remaining 2 SOCON shares held by him (the "Remaining Shares"), representing 1% of the issued share capital of SOCON, subject to the condition, among other things, that he shall sell and transfer all the Remaining Shares only to such purchaser(s) as designated by the Company on or before 30 April 2024 at the sale price to be determined on the same basis as the exercise price of the Call Option as stipulated in the Sale and Purchase Agreement, which would be approximately HK$16.39 million based on the adjusted pro-forma consolidated net asset value of the SOCON Group as at 31 March 2023 if the Company had exercised the Call Option in relation to the Remaining Shares on 28 April 2023. No fee or compensation was payable by the Company or Mr. K.F. Lee under the Deed.

Since Mr. K.F. Lee is a substantial shareholder and director of a subsidiary of SOCON, he is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition and the non-exercise of the Call Option in relation to the Remaining Shares as agreed by the Company, which was treated as if exercised under Rule 14A.79(4) of the Listing Rules, constituted connected transactions of the Company, details of which were set out in the announcement dated 28 April 2023 issued by the Company.

The Acquisition was completed on 19 May 2023. The disposal of the Remaining Shares by Mr. K.F. Lee was expected to be completed on or before 31 May 2024 pursuant to the Deed.

CONTINUING CONNECTED TRANSACTIONS

Set out below are the transactions entered into by the Group which constitute continuing connected transactions of the Company (the "Continuing Connected Transactions") and are required to be disclosed herein under Chapter 14A of the Listing Rules.

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

Pursuant to the property management services agreement dated 16 December 2021 (the "Property Management Agreement") entered into between Pacific Extend Properties Management Limited ("PEPM", an indirect wholly owned subsidiary of the Company) and SOCPM, an indirect wholly-owned subsidiary of SOCL and the management company of Shui On Centre under the deed of mutual covenant and management agreement in respect of Shui On Centre dated 17 February 1994 (the "DMC"), PEPM continues to provide services in relation to the management and maintenance of Shui On Centre (the "SOC Property Management Services") to SOCPM for a term of three years commencing on 1 January 2022 following expiration of the previous property management services agreement dated 16 March 2019. The annual service fee of PEPM (the "Service Fee") is equivalent to the aggregate sum of (i) 9% of the budgeted expenses for the management of Shui On Centre (the "Management Expenses") calculated in accordance with the provisions set out in the DMC for the relevant financial year (excluding (a) the budged Management Expenses on the remuneration to be received by SOCPM in its capacity as the management company appointed under the DMC; and (b) the sinking fund maintained under the DMC to meet all expenditure of a heavy and/or non-recurrent nature for the common areas of Shui On Centre) plus any additional sum demanded and recovered by SOCPM in accordance with the DMC provisions to cover any insufficiency in the Management Expenses; and (ii) 9% of the part of (if any) actual capital expenditure incurred from 1 January 2022 which exceeds the accumulated balance of the sinking fund as at 31 December 2021. Besides, SOCPM shall reimburse PEPM on cost basis for the costs, expenses and disbursements properly incurred in the course of performing the SOC Property Management Services, such as the charges of main office overheads, facilities, accountancy or other professional services, any staff cost and sums payable for the use of any premises reasonably required by PEPM as the management office (the "Disbursements"). The total amounts of the Service Fee and the Disbursements paid or payable by SOCPM to PEPM under the Property Management Agreement for the years ended 31 December 2022 and 2023 and for the year ending 2024 should not exceed the annual caps of HK$20 million, HK$22 million and HK$22 million respectively.

As SOCPM is a subsidiary of SOCL, the controlling shareholder of the Company, it is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the provision of the SOC Property Management Services by PEPM under the Property Management Agreement constitutes a continuing connected transaction of the Company, details of which were set out in the announcement dated 16 December 2021 issued by the Company.

The total amount of the Service Fee and the Disbursements paid or payable to PEPM under the Property Management Agreement was approximately HK$15.78 million for the year ended 31 December 2023, which was below the annual cap of HK$22 million as set for the year.

2. Provision of works and services in relation to the asset enhancement project of Shui On Centre

On 7 March 2022, the Company and SOCL entered into a framework agreement (as amended by a supplemental agreement dated 13 May 2022) (the "Asset Enhancement Framework Agreement") pursuant to which any member of the Group may, from time to time during the term of the Asset Enhancement Framework Agreement commencing on 1 June 2022 and ending on 31 December 2024, submit tender under any tender invitation made by SOCL or any of its subsidiaries (together with SOCL, the "SOCL Group") (for the proprietary areas of Shui On Centre) or on behalf of the SOCL Group and the other owners of Shui On Centre (for the common areas of Shui On Centre) and enter into any contract, if awarded, for the engagement of such member of the Group as contractor or service provider for the provision of the following works and services:

(a) overhaul enhancement works for Shui On Centre, covering its common areas and/or proprietary areas owned by the SOCL Group as the project may involve (the "Works"). This would cover all types of works typical of an asset enhancement project for an office commercial building of similar grading, including but not limited to builder works, building services works, renovation works, fitting-out works, additional and alteration works, maintenance works, and procurement and installation of smart facilities to improve the efficiency of energy consumption, facilities management and user journey by implementing building management and related software systems (the "Smart Facilities"); and

(b) after sales/maintenance services for the Smart Facilities included under the Works (the "Services") for a term of not more than three years.

According to the best estimation of the Company based on reasonable assumptions, (i) the maximum total contract sum of the Works that may be awarded to member(s) of the Group within the term of the Asset Enhancement Framework Agreement pursuant to all the tenders submitted thereunder would be HK$372 million (the "Project Cap"); and (ii) the maximum total after sales/maintenance service fee for the Services that may be awarded to member(s) of the Group within the term of the Asset Enhancement Framework Agreement pursuant to all the tenders submitted thereunder would be HK$9 million (the "Service Cap"). Taking into account the circumstance that all the tenders for the Works and the Services might be released in one single year during the term of the Asset Enhancement Framework Agreement, the Project Cap and the Service Cap were set as the annual caps for the Works and the Services respectively (the "Annual Caps") for each of the period/year ended 31 December 2022 and 2023 and the year ending 31 December 2024.

As SOCL is the controlling shareholder of the Company, SOCL and members of the SOCL Group are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Asset Enhancement Framework Agreement and, if materialised, the transactions pursuant thereto constitute continuing connected transactions of the Company, details of which were set out in the announcements dated 17 March 2022 and 13 May 2022 and the circular dated 16 May 2022 issued by the Company. In accordance with the requirements of the Listing Rules, approval for the Asset Enhancement Framework Agreement, the transactions contemplated thereunder and the Annual Caps was obtained from the independent shareholders of the Company at a special general meeting held on 1 June 2022.

The total contract sum of certain Works awarded to members of the Group, including (i) some Smart Facilities installation works awarded to PEL (E&M) Limited ("PEL (E&M)") and Welpro Technology Limited ("Welpro") pursuant to the tenders submitted under the Asset Enhancement Framework Agreement; and (ii) variation orders for the alteration and addition works previously awarded to Pat Davie Limited ("Pat Davie"), was approximately HK$115.05 million for the year ended 31 December 2023, which was below the Project Cap of HK$372 million (when aggregated with the total contract sum of approximately HK$137.30 million awarded to Pat Davie between 1 June 2022 and 31 December 2022) and also the Annual Cap of the same amount as set for the year. No contract was awarded to any member of the Group during 2022 and 2023 pursuant to any tender submitted for the Services under the Asset Enhancement Framework Agreement.

3. Provision of smart facility works and services to SOL and its subsidiaries (collectively the "SOL Group")

On 31 March 2023, the Company and SOL entered into a framework agreement (the "Smart Facility Framework Agreement") setting out the scope and basis for provision of the following works and/or services (collectively the "Smart Facility Enhancement Works") by member(s) of the Group to member(s) of the SOL Group in respect of its/their property development(s) in Mainland China during the agreement term commencing on 31 March 2023 and ending on 31 December 2028:

(a) construction works involving installation of smart facilities and equipment, implementation of building management, and installation, update and repair of related hardware and software systems to improve the efficiency of energy consumption and facility management;

(b) energy saving services to ensure the outcome of the works mentioned in item (a) above aligns with the designated milestone target; and

(c) after sales services/maintenance services for such smart facilities and equipment installed for no more than five years.

The fees payable by member(s) of the SOL Group to member(s) of the Group for its/their provision of the Smart Facility Enhancement Works under each specific contract to be entered into pursuant to the Smart Facility Framework Agreement (the "Specific Contract") shall be determined by the relevant members of the Group and the SOL Group based on arm's length negotiation in a fair and reasonable manner according to the pricing policies and basis as set out in the Smart Facility Framework Agreement, which are summarised below:

(i) For the construction works without involving energy saving services, the fees shall be determined on a cost-plus basis with a margin of 8% to 15% depending on factors including but not limited to complexity of the project, prevailing market prices of comparable construction works provided by the relevant member(s) of the Group to independent third parties and projected inflation rate.

(ii) For the construction works with energy saving services, the relevant member(s) of the Group shall share the actual annual energy saving amount according to the energy saving sharing ratio, which shall vary in different years and range from 30% to 80% per annum during the energy saving sharing period, as stipulated in the relevant Specific Contract.

(iii) For the after sales services/maintenance services, the fees shall be determined on a cost-plus basis with a margin of 4% to 6% with reference to the prevailing market prices for comparable services provided by the relevant member(s) of the Group to independent third parties and projected inflation rate.

The annual caps of the total fees for provision of the Smart Facility Enhancement Works under the Specific Contracts and certain contracts entered into between the relevant members of the Group and the SOL Group in 2022 (the "2022 Contracts") as set for the year ended 31 December 2023 and for the years ending 31 December 2024 to 2028 are RMB15 million, RMB15 million, RMB16 million, RMB12 million, RMB10 million and RMB4 million respectively.

As SOL is a subsidiary of SOCL, which is the controlling shareholder of the Company, SOL and members of the SOL Group are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Smart Facility Framework Agreement and, if materialised, the transactions pursuant thereto constitute continuing connected transactions of the Company, details of which were set out in the announcement dated 31 March 2023 issued by the Company.

The total amount of the fees paid or payable to 瓴喆智能科技(上海)有限公司 (Ling Zhe Smart Technology (Shanghai) Co., Ltd.) (a member of the Group) under the Specific Contracts and the 2022 Contracts in relation to the provision of the Smart Facility Enhancement Works was approximately RMB2.46 million, against the annual cap of RMB15 million, for the year ended 31 December 2023.

In accordance with Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed the Continuing Connected Transactions for the year ended 31 December 2023 and confirmed that the transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During 2023 and up to the date of this report, the following Directors are considered to have interests in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules:

(1) Mr. Lo is a director and the controlling shareholder of SOL which, through its subsidiaries, principally engages in property development and investment projects in Mainland China.

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

(3) Ms. Lo is a director of SOL which, through its subsidiaries, principally engages in property development and investment projects in Mainland China.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Continuing Connected Transactions" above, no transactions, arrangements or contracts of significance in relation to the Group's businesses, to which the Company or any of its subsidiaries was a party, and in which a Director of the Company (or an entity connected with him/her) had a material interest, whether directly or indirectly, were entered into in 2023 or subsisted at any time during the year.

MANAGEMENT CONTRACTS

Save for service contracts, no contract by which a person undertakes the management and administration of the whole or any substantial part of the Company's business was entered into or subsisted during 2023.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during 2023 or subsisted at the year end.

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$2,038 million at 31 December 2023, which comprised:

	HK$ million
Receivables	542
Guarantees	1,496
	2,038

The receivables are unsecured, repayable on demand and out of the total outstanding balance, an amount of HK$132 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 21(c) and 33(a) to the 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) SOCL to remain the single largest shareholder of the Company; and (ii) Mr. Lo to remain the Chairman of the Board of Directors. Any breach of these specific performance obligations will constitute an event of default under the Loan Agreement, and the Bank may, by notice to the Company, cancel the Loan Facility and declare that all or any part of the Loan Facility, together with the accrued interest and all other amounts accrued or outstanding under the Loan Agreement, become immediately due and payable. Please refer to the announcement of the Company dated 15 October 2021 for the related details.

DISCLOSURE UNDER RULE 14.36B OF THE LISTING RULES

On 20 December 2021, PEL (E&M), an indirect non-wholly owned subsidiary of the Company, as purchaser entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Mr. Chung Kin Wah ("Mr. Chung") as vendor in relation to the acquisition of 65% share interest in Welpro, which constituted a disclosable transaction under Chapter 14 of the Listing Rules. As disclosed in the announcement of the Company dated 20 December 2021, under the Sale and Purchase Agreement, Mr. Chung provided an undertaking to PEL (E&M) that the profit of Welpro before interest, tax, depreciation and amortisation (the "Actual Net Profit") for each of the financial years ended 31 March 2022 and 31 March 2023, as derived in its management accounts or audited financial statements for the corresponding financial year, would not be less than HK$7.14 million and HK$12.05 million (the "Guaranteed Profit"), respectively. If the Actual Net Profit was less than the Guaranteed Profit for each of the said financial years, Mr. Chung would be obliged to pay to PEL (E&M) in cash an amount equivalent to 65% of the shortfall within 14 days after the issuance of the Welpro's management accounts or audited financial statements (whichever was applicable) for the corresponding financial year.

Based on the audited financial statements of Welpro for the years ended 31 March 2022 and 2023, the Actual Net Profit of Welpro was above the Guaranteed Profit for each of the said financial years.

RETIREMENT BENEFIT PLANS

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

MAJOR SUPPLIERS AND MAJOR CUSTOMERS

The five largest suppliers of the Group accounted for less than 22% of the total purchases of the Group for the year ended 31 December 2023.

The five largest customers of the Group accounted for approximately 82% of the total turnover of the Group for the year ended 31 December 2023 with the largest customer, the Architectural Services Department of The Government of the Hong Kong Special Administrative Region, accounting for approximately 40% of the turnover of the Group.

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

DONATIONS

During 2023, the Group made donations of approximately HK$1.5 million to business associations and institutions as well as charity communities.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

AUDITOR

Deloitte Touche Tohmatsu will retire and, being eligible, offer itself for re-appointment at the 2024 AGM. A resolution will be proposed at the 2024 AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Lo Hong Sui, Vincent
Chairman

Hong Kong, 27 March 2024

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of SOCAM Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 135 to 222, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgements associated with determining their fair value. As disclosed in note 13 to the consolidated financial statements, the investment properties are situated in Mainland China and carried at a total value of HK$3,996 million as at 31 December 2023, which represented 44% of the Group's total assets. The amount of fair value losses of HK$148 million relating to these investment properties was recognised in the consolidated statement of profit or loss for the year then ended.	Our procedures in relation to the valuation of investment properties included: • Obtaining an understanding of the management's process for reviewing and evaluating the work of the Valuers; • Evaluating the competence, capabilities and objectivity of the Valuers and obtaining an understanding of their scope of work and their terms of engagement; and

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties (Continued)	
All of the Group's investment properties are stated at fair value based on the valuations carried out by independent qualified professional valuers (the "Valuers"). Details of the valuation technique and key inputs used in the valuations are disclosed in note 13 to the consolidated financial statements. The valuations of investment properties are dependent on certain key inputs, including capitalisation rate, market rent and market price.	• Evaluating the reasonableness of valuation techniques and key inputs, including capitalisation rate, market rent and market price, adopted by the management of the Group and the Valuers by comparing these estimates to comparables of similar properties in Mainland China.
Estimation of expected credit losses ("ECL") of receivables due from a former subsidiary group and the accounting impact of the related financial guarantee	
We identified the estimation of ECL in respect of receivables of HK$542 million due from China Central Properties Limited's former subsidiary group (the "Debtor") and the accounting impact of the related financial guarantee in respect of a loan granted to the Debtor as a key audit matter due to the significant judgements involved in estimating the timing and future cash flows expected to be derived from the receivables and the likelihood of the outflow of resources resulting from the financial guarantee. As disclosed in notes 21(c) and 33(a) to the consolidated financial statements, the Group has outstanding receivables of HK$542 million due from the Debtor and remains as a guarantor for a loan granted to the Debtor of HK$598 million plus related interest amounting to HK$898 million at 31 December 2023. Courts in the People's Republic of China have issued notices to attach the property interests held by the Debtor to cause the Debtor to settle part of the onshore outstanding receivables. The management expects that the receivables of HK$542 million will be fully settled and the financial guarantee of HK$598 million plus related interest amounting to HK$898 million will be fully released either through public auction of the property interest (the "Auction") or the sale of the equity interest of the entity holding the property interest (the "Sale of Equity Interest"), and therefore no loss allowance for ECL is recognised.	Our procedures in relation to estimated provision of ECL of the receivables due from the Debtor and the accounting impact of the related financial guarantee included: • Obtaining an understanding of the management's process of reviewing the estimated provision of ECL of the receivables and the accounting impact of the related financial guarantee; • Enquiring with management and lawyers to understand the progress of the Auction and the Sale of Equity Interest and how the management performed the assessment on the estimated provision of ECL of the receivables and the related financial guarantee; • Inspecting the relevant agreements which the Group entered into, court judgements and notices issued up to the date of our report, and the legal opinion issued by an external lawyer to assess the appropriateness of the management's basis in evaluating the latest progress of the legal cases; and • Assessing the appropriateness of the valuation of the underlying property interest held by the Debtor performed by an independent professional valuer with reference to comparable properties and market transactions as available in the market to evaluate the reasonableness of these judgments.

Key audit matter	How our audit addressed the key audit matter
Recognition of contract revenue and contract assets for construction contracts	
We identified construction contract revenue and contract assets as a key audit matter as they are quantitatively significant to the consolidated financial statements as a whole. As disclosed in notes 5 and 23 to the consolidated financial statements, the construction contracts revenue and contract assets amounted to HK$8,070 million and HK$1,334 million respectively for the year ended 31 December 2023. As set out in note 5 to the consolidated financial statements, the Group recognised contract revenue by reference to the progress of satisfying the performance obligation at the reporting date.	Our procedures in relation to the contract revenue and contract assets for construction contracts included: • Testing the Group's internal controls over the recognition of contract revenue for construction contracts; • Discussing with project managers, internal quantity surveying managers and the management of the Group and checking on a sample basis, the supporting documents such as contracts and variation orders to evaluate the reasonableness of the revenue recognised; • Checking the revenue to underlying construction contracts entered into with the customers and other relevant correspondences and supporting documents in respect of variations in construction works or price adjustments on a sample basis; and • Assessing the revenue from construction contracts by comparing, on a sample basis, with the latest certificates issued by the independent quantity surveyors before and after year end.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chan Alan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 HK$ million	2022 HK$ million
Turnover	5	**8,336**	6,307
Other income, other gains and losses	6	**35**	(173)
Cost of properties sold		**(8)**	(34)
Raw materials and consumables used		**(901)**	(574)
Staff costs		**(931)**	(847)
Depreciation and amortisation		**(62)**	(59)
Subcontracting, external labour costs and other expenses		**(6,099)**	(4,373)
Fair value changes on investment properties	13	**(148)**	(121)
Finance costs	7	**(237)**	(164)
Share of profit (loss) of joint ventures and an associate	5	**2**	(2)
Loss before taxation		**(13)**	(40)
Taxation	8	**(62)**	(82)
Loss for the year	10	**(75)**	(122)
Attributable to:			
Owners of the Company		**(155)**	(232)
Non-controlling interests		**80**	110
		(75)	(122)
Loss per share	11		
Basic		**HK$(0.41)**	HK$(0.62)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK$ million	2022 HK$ million
Loss for the year	(75)	(122)
Other comprehensive expense		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	(49)	(335)
Reclassification adjustments for exchange differences transferred to profit or loss upon deregistration of subsidiaries	–	(4)
Items that will not be reclassified to profit or loss:		
Fair value changes of an equity investment at fair value through other comprehensive income	(8)	(1)
Remeasurement of defined benefit scheme	(46)	(35)
Other comprehensive expense for the year	(103)	(375)
Total comprehensive expense for the year	(178)	(497)
Total comprehensive (expense) income attributable to:		
Owners of the Company	(258)	(607)
Non-controlling interests	80	110
	(178)	(497)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 HK$ million	2022 HK$ million
Non-current Assets			
Investment properties	13	3,996	4,199
Goodwill		18	18
Other intangible assets		16	23
Right-of-use assets	30	48	55
Property, plant and equipment	14	29	35
Interests in joint ventures	15	85	114
Interest in an associate	16	23	–
Financial asset at fair value through other comprehensive income	17	22	30
Financial assets at fair value through profit or loss	18	12	6
Deferred tax assets	29	–	2
Club memberships		1	1
		4,250	4,483
Current Assets			
Properties held for sale	20	664	664
Properties under development for sale	20	167	169
Debtors, deposits and prepayments	21	1,613	1,474
Contract assets	23	1,334	764
Amounts due from joint ventures	19	75	68
Amounts due from related companies	24	42	18
Financial asset at amortised cost		7	6
Tax recoverable		14	12
Restricted bank deposits	22	347	365
Bank balances, deposits and cash	21	653	1,086
		4,916	4,626
Current Liabilities			
Creditors and accrued charges	25	2,661	2,274
Contract liabilities	23	43	35
Lease liabilities		28	31
Amounts due to joint ventures	19	114	149
Amounts due to related companies	24	44	44
Taxation payable		167	193
Bank borrowings due within one year	26	1,618	1,624
		4,675	4,350
Net Current Assets		241	276
Total Assets Less Current Liabilities		4,491	4,759

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2023 HK$ million	2022 HK$ million
Capital and Reserves			
Share capital	27	373	373
Reserves		1,998	2,256
Equity attributable to owners of the Company		2,371	2,629
Non-controlling interests		268	304
		2,639	2,933
Non-current Liabilities			
Bank borrowings	26	1,490	1,428
Lease liabilities		22	26
Defined benefit liabilities	28	87	100
Deferred tax liabilities	29	253	272
		1,852	1,826
		4,491	4,759

The consolidated financial statements on pages 135 to 222 were approved and authorised for issue by the Board of Directors on 27 March 2024 and are signed on its behalf by:

Lo Hong Sui, Vincent
Chairman

Lee Chun Kong, Freddy
Executive Director and Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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	Other reserve (Note b)	Total	Non-controlling interests	Total Equity
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
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	–	–	(335)	–	–	–	–	–	–	(335)	–	(335)
Cumulative exchange differences reclassified to profit or loss upon deregistration of subsidiaries	–	–	(4)	–	–	–	–	–	–	(4)	–	(4)
Remeasurement of defined benefit scheme	–	–	–	–	–	–	(35)	–	–	(35)	–	(35)
(Loss) profit for the year	–	–	–	–	–	(232)	–	–	–	(232)	110	(122)
Total comprehensive (expense) income for the year	–	–	(339)	–	–	(232)	(35)	(1)	–	(607)	110	(497)
Share premium reduction (note c)	–	(2,982)	–	1,866	–	1,116	–	–	–	–	–	–
Acquisition of a subsidiary (note 32)	–	–	–	–	–	–	–	–	–	–	15	15
Repurchase of shares	(1)	–	–	–	–	–	–	–	–	(1)	–	(1)
Partial acquisition of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(46)	(46)
Partial disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	(1)	(1)	6	5
Dividends recognised as distribution	–	–	–	(26)	–	–	–	–	–	(26)	–	(26)
Dividends payable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(51)	(51)
At 31 December 2022	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	–	–	–	–	–	–	–	(8)	–	(8)	–	(8)
Exchange differences arising on translation of financial statements of foreign operations	–	–	(49)	–	–	–	–	–	–	(49)	–	(49)
Remeasurement of defined benefit scheme	–	–	–	–	–	–	(46)	–	–	(46)	–	(46)
(Loss) profit for the year	–	–	–	–	–	(155)	–	–	–	(155)	80	(75)
Total comprehensive (expense) income for the year	–	–	(49)	–	–	(155)	(46)	(8)	–	(258)	80	(178)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	1	1
Partial acquisition of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(65)	(65)
Dividends payable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(52)	(52)
At 31 December 2023	373	–	56	2,037	(3)	(260)	(87)	(28)	283	2,371	268	2,639

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 HK$ million	2022 HK$ million
Operating Activities		
Loss before taxation	(13)	(40)
Adjustments for:		
Reclassification for exchange differences upon deregistration of subsidiaries	–	(4)
Impairment loss recognised on property inventories	–	5
Expected credit losses recognised on trade debtors, contract assets and other receivables	4	18
Share of (profit) loss of joint ventures and an associate	(2)	2
Interest income	(25)	(27)
Finance costs	237	164
Dividend income from an equity investment	(3)	(4)
Fair value changes on investment properties	148	121
Fair value loss on financial assets at fair value through profit or loss	–	1
Gain on disposal of property, plant and equipment	(1)	–
Depreciation of property, plant and equipment	16	15
Depreciation of right-of-use assets	39	37
Amortisation of other intangible assets	7	7
Expense recognised in respect to defined benefit scheme	10	10
Operating cash flows before movements in working capital	417	305
Decrease in properties held for sale	9	26
Increase in debtors, deposits and prepayments	(172)	(97)
Increase in contract assets	(571)	(97)
Increase in amounts due from related companies	(29)	(5)
Decrease in amounts due from joint ventures	1	3
Increase in creditors and accrued charges	414	274
Increase in contract liabilities	8	14
Increase in amounts due to related companies	1	1
Contribution to defined benefit scheme	(69)	(8)
Cash from operations	9	416
Hong Kong Profits Tax paid	(115)	(103)
Hong Kong Profits Tax refunded	16	–
Income taxes of other regions in the People's Republic of China ("PRC") paid	(2)	(4)
Net cash (used in) from operating activities	(92)	309

CONSOLIDATED STATEMENT OF CASH FLOWS

	2023 HK$ million	2022 HK$ million
Investing Activities		
Investment in a joint venture	(5)	–
Advance to a joint venture	(3)	(1)
Acquisition of a subsidiary (note 32)	–	(30)
Additions in property, plant and equipment	(11)	(19)
Investment in an associate	(24)	–
Payment for construction of investment properties	(4)	(1)
Purchases of financial assets at fair value through profit or loss	(6)	(5)
Purchase of financial asset at amortised cost	(7)	(6)
Redemption of financial asset at amortised cost	8	–
Interest received	23	24
Proceeds from disposal of property, plant and equipment	2	1
Proceeds from disposal of investment properties	–	5
Dividends received from equity investments	3	4
Net proceeds from disposal of interest in an associate in previous year	1	1
Restricted bank deposits placed	(15)	(10)
Restricted bank deposits refunded	28	1
Net cash used in investing activities	(10)	(36)
Financing Activities		
Drawdown of bank borrowings	709	1,515
Repayment of bank borrowings	(651)	(261)
Repayment of senior notes	–	(1,227)
Capital contribution from non-controlling shareholders of a subsidiary	1	–
Payment for repurchase of shares	–	(1)
Payment of lease liabilities	(38)	(36)
Payment for partial acquisition of interest in a subsidiary	(65)	(45)
Proceeds from partial disposal of interest in a subsidiary	–	6
Interest paid	(221)	(154)
Other borrowing costs paid	(12)	(13)
Dividends paid	–	(26)
Dividends paid to non-controlling shareholders of subsidiaries	(52)	(51)
Net cash used in financing activities	(329)	(293)
Net decrease in cash and cash equivalents	(431)	(20)
Cash and cash equivalents at the beginning of the year	1,086	1,127
Effect of foreign exchange rate changes	(2)	(21)
Cash and cash equivalents at the end of the year	653	1,086
Analysis of the balances of cash and cash equivalents		
Bank balances, deposits and cash	653	1,086

1. General Information and Basis of Presentation

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

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

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

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's financial period beginning on 1 January 2023 for the preparation of the consolidated financial statements.

HKFRS 17	Insurance Contracts
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the above new and amendments to HKFRSs in the current year has had no material effect on the amounts reported and disclosures set out in the consolidated financial statements of the Group for the current or prior accounting periods.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

Amendments to HKAS 1 *Presentation of Financial Statements* require an entity to disclose their material accounting policy information. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 3 to the consolidated financial statements.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

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

The amendments introduce a temporary exception from the recognition and disclosure of information about deferred tax assets and liabilities related to tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments also introduce disclosure requirements about the related tax exposure to Pillar Two income taxes. The amendments require that entities apply the amendments immediately upon issuance and retrospectively.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted.

Amendments to HKFRSs in issue but not yet effective

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

HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback[2]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
HKAS 1 (Amendments)	Non-current Liabilities with Covenants[2]
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangement[2]
HKAS 21 (Amendments)	Lack of Exchangeability[3]

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

2 Effective for annual periods beginning on or after 1 January 2024

3 Effective for annual periods beginning on or after 1 January 2025

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

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* and *Non-current Liabilities with Covenants*

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the amendments to HKAS 1 *Non-current Liabilities with Covenants* (the "2022 Amendments") to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively and early application is permitted.

Based on the Group's outstanding liabilities at 31 December 2023, the application of the 2022 Amendments will not result in reclassification of the Group's liabilities.

3. Material Accounting Policy Information

Basis of accounting

The consolidated financial statements have been prepared in accordance with HKFRS issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance (Cap 622).

At 31 December 2023, the Group reported net current assets of HK$241 million, which included HK$1,162 million revolving bank loans with no fixed term of repayment and HK$456 million term loans. In addition, bank borrowings of HK$1,400 million are scheduled to mature within one year from the date of approval of the consolidated financial statements. Subsequent to the end of the reporting period, the Group secured a new 3-year term loan facility of HK$215 million and term loans of HK$338 million classified as current liabilities at 31 December 2023 were extended for a further 3 years.

The Directors of the Company, at the time of approving these consolidated financial statements, believe that such revolving bank loans will continue to be made available to the Group and will not be withdrawn unexpectedly within the next twelve months from the end of the reporting period. In addition, the Directors of the Company are negotiating with banks to obtain new banking facilities and contemplating renewing existing bank borrowings. Taking into account the internal financial resources of the Group, coupled with the Group's operating cash flows as well as the currently available banking facilities and the expectation of securing new/refinancing facilities based on the Group's existing relationships with banks and its Hong Kong construction businesses, the Group will have the ability to meet its financial obligations as they become due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. Material Accounting Policy Information (Continued)

Basis of preparation

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

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

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

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

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

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

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

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

3. Material Accounting Policy Information (Continued)

Basis of consolidation

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

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

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

3. Material Accounting Policy Information (Continued)

Business combinations (continued)

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

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

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

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

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

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

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

3. Material Accounting Policy Information (Continued)

Business combinations (continued)

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

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

Cash and cash equivalents

Bank balances, deposits and cash presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances, deposits and cash.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 22.

Investment properties

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

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

3. Material Accounting Policy Information (Continued)

Properties held for sale

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

Properties under development for sale

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

Government subsidies

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

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

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

Borrowing costs

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

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

3. Material Accounting Policy Information (Continued)

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

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

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

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

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

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

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3. Material Accounting Policy Information (Continued)

Taxation

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

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

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

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

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

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

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

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

3. Material Accounting Policy Information (Continued)

Leases

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

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

The Group as lessor

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

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs for leases in which the Group is the manufacturer or dealer lessor are recognised in costs of sales at the commencement date of the finance leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

The Group as lessee

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

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

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

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

3. Material Accounting Policy Information (Continued)

Leases (Continued)

The Group as lessee (Continued)

Right-of-use assets

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

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

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

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

Lease liabilities

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; and
- the lease payments change, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

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

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

3. Material Accounting Policy Information (Continued)

Leases (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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

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

Foreign currencies

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

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

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. Material Accounting Policy Information (Continued)

Foreign currencies (Continued)

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

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

Retirement benefits costs

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

For the defined benefit retirement scheme, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in accumulated losses and will not be reclassified to profit or loss.

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

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

3. Material Accounting Policy Information (Continued)

Retirement benefits costs (Continued)

Defined benefit costs are categorised as follows:

– service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

– net interest expense or income; and

– remeasurement.

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

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

For long service payment ("LSP") obligation, the Group accounts for the employer mandatory provident fund ("MPF") contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of HKAS 19.93(a) and it is measure on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. Material Accounting Policy Information (Continued)

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

3. Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

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

(ii) Financial assets designated at FVTOCI

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

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

(iii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with net changes in fair value recognised in profit or loss. Dividends on equity investments classified as financial assets at FVTPL are also recognised as "other income, other gains or losses" in the consolidated statement of profit or loss when the right of payment has been established.

3. Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade debtors, other receivables, amounts due from joint ventures and related companies, restricted bank deposits, bank balances and deposits) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

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

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

3. Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

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

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

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

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

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

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

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

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

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

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

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

3. Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

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

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

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

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

Derecognition of financial assets

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

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

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

Financial liabilities and equity

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

Equity instruments

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

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

3. Material Accounting Policy Information (Continued)

Financial Instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities

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

Borrowings

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

Other financial liabilities at amortised cost

Other financial liabilities (including creditors, other payables, lease liabilities and amounts due to joint ventures and related companies) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

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

Derecognition of financial liabilities

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

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

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

Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation, which involves certain estimates of market conditions. As disclosed in note 13, the investment properties carried at a total value of HK$3,996 million (2022: HK$4,199 million). In relying on the valuation report, the Directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

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

As disclosed in notes 21(c) and 33(a), CCP disposed of a former subsidiary group (the "Debtor") in prior years. With respect to the disposal, the Group had outstanding receivables of HK$542 million at 31 December 2023 and remained as a guarantor for a loan granted to the Debtor at a principal amount of RMB542 million (HK$598 million) plus related interest. The receivables of HK$542 million (2022: HK$529 million) are expected to be settled either through public auction of the property interest (the "Auction") or the sale of the equity interest of the entity holding the property interest (the "Sale of Equity Interest"). In addition, the financial guarantee in respect of the outstanding principal amount of the loan amounting to RMB542 million (HK$598 million) (2022: RMB542 million (HK$607 million)) and the related interest amounting to RMB814 million (HK$898 million) (2022: RMB748 million (HK$837 million)) are expected to be fully released upon completion of the Auction or the Sale of Equity Interest. With certain positive events as mentioned in note 21(c) and the fact that the Company has put in place a dedicated team, with focused efforts and through various commercial and judicial channels, management expects that the issues will be resolved. With the devoted effort of the dedicated team and advices from lawyers, management expects that the Auction will be materialised, and that the receivables will be recovered and the guarantee will be released after the Auction. Therefore, no loss allowance for ECL has been recognised.

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

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

Deferred tax on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the Directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties in Mainland China of HK$3,996 million at 31 December 2023 (2022: HK$4,199 million) are held to earn rental income and they are considered to be held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on these investment properties at fair value is measured based on the tax consequences of recovering the carrying amounts of the investment properties through use. Details of deferred tax are set out in note 29.

5. Turnover and Segment Information

Revenue of the Group represents contract revenue arising on construction and maintenance contracts, revenue from sale of properties, fees from management services and leasing income.

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

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

1. Construction and 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

5. Turnover and Segment Information (Continued)

(a) Reportable segment revenue and profit or loss

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

For the year ended 31 December 2023

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Revenue				
Revenue from construction contracts	8,070	–	–	8,070
Revenue from property sales	–	12	–	12
Revenue from rendering of services in Hong Kong	2	150	–	152
Revenue from rendering of services in Mainland China	–	24	–	24
Revenue from contracts with customers	8,072	186	–	8,258
Revenue from property leasing	–	78	–	78
Total segment revenue from external customers	8,072	264	–	8,336
Timing of revenue recognition				
– At a point of time	–	12	–	12
– Over time	8,072	174	–	8,246
Revenue from contracts with customers	8,072	186	–	8,258
Reportable segment results	427	(167)	(5)	255
Segment results have been arrived at after crediting (charging):				
Depreciation and amortisation	(40)	(6)	–	(46)
Interest income	14	8	–	22
Fair value changes on investment properties	–	(148)	–	(148)
Dividend income from an equity investment	–	–	3	3
Finance costs	–	(11)	–	(11)
Share of (loss) profit of joint ventures and an associate	(1)	(2)	5	2

5. Turnover and Segment Information (Continued)

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

For the year ended 31 December 2022

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Revenue				
Revenue from construction contracts	6,030	–	–	6,030
Revenue from property sales	–	34	–	34
Revenue from rendering of services in Hong Kong	2	142	–	144
Revenue from rendering of services in Mainland China	–	25	–	25
Revenue from contracts with customers	6,032	201	–	6,233
Revenue from property leasing	–	74	–	74
Total segment revenue from external customers	6,032	275	–	6,307
Timing of revenue recognition				
– At a point of time	–	34	–	34
– Over time	6,032	167	–	6,199
Revenue from contracts with customers	6,032	201	–	6,233
Reportable segment results	555	(364)	(40)	151
Segment results have been arrived at after crediting (charging):				
Depreciation and amortisation	(37)	(6)	–	(43)
Interest income	14	12	–	26
Fair value changes on investment properties	–	(121)	–	(121)
Impairment loss recognised on property inventories	–	(5)	–	(5)
Dividend income from an equity investment	–	–	4	4
Finance costs	–	(13)	–	(13)
Share of (loss) profit of joint ventures	–	(7)	5	(2)

5. Turnover and Segment Information (Continued)

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) and the expected timing of recognising revenue are as follows:

At 31 December 2023

	Construction contracts HK$ million	**Properties sales HK$ million**
Within one year	**7,358**	**16**
More than one year but less than two years	**6,155**	**–**
More than two years	**2,665**	**–**
	16,178	**16**

At 31 December 2022

	Construction contracts HK$ million	Properties sales HK$ million
Within one year	8,466	20
More than one year but less than two years	4,918	–
More than two years	2,377	–
	15,761	20

5. Turnover and Segment Information (Continued)

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

Performance obligation in contracts with customers and revenue recognition policies

Construction contracts

Revenue from construction contracts is recognised over time when the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised by reference to the progress of satisfying the performance obligation at the reporting date using output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

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

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

Sales of properties

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

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

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

Rendering of services

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

5. Turnover and Segment Information (Continued)

(b) Reportable segment assets and liabilities

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

At 31 December 2023

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Reportable segment assets	**3,146**	**5,719**	**725**	**9,590**
Reportable segment liabilities	**2,586**	**536**	**392**	**3,514**

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

	Year ended 31 December	
	2023 HK$ million	2022 HK$ million
Loss before taxation		
Reportable segment results	**255**	151
Unallocated other income	**3**	1
Unallocated finance costs	**(226)**	(151)
Other unallocated corporate expenses	**(45)**	(41)
Consolidated loss before taxation	**(13)**	(40)

5. Turnover and Segment Information (Continued)

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

	At 31 December 2023 HK$ million	At 31 December 2022 HK$ million
Assets		
Reportable segment assets	9,590	9,757
Elimination of inter-segment receivables	(438)	(662)
Other unallocated assets	14	14
Consolidated total assets	9,166	9,109

	At 31 December 2023 HK$ million	At 31 December 2022 HK$ million
Liabilities		
Reportable segment liabilities	3,514	3,414
Elimination of inter-segment payables	(438)	(662)
Unallocated liabilities		
– Bank borrowings	2,944	2,859
– Taxation and others	507	565
Consolidated total liabilities	6,527	6,176

5. Turnover and Segment Information (Continued)

(d) Other segment information

At 31 December 2023

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Interests in joint ventures and an associate	30	–	78	108
Capital expenditure	45	6	2	53
Tax charges (credit)	73	(11)	–	62

At 31 December 2022

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Interests in joint ventures	3	37	74	114
Capital expenditure	56	10	27	93
Tax charges (credit)	93	(11)	–	82

(e) Geographical information

The Group's current operations are mainly located in Hong Kong, Macau and Mainland China.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers*		Non-current assets**	
	2023 HK$ million	2022 HK$ million	**2023 HK$ million**	2022 HK$ million
Hong Kong	8,116	6,057	79	86
Macau	97	116	2	3
Mainland China	123	134	4,027	4,242
	8,336	6,307	4,108	4,331

* Revenue from external customers is attributed to countries/cities on the basis of geographical locations of the properties or operations.

** Non-current assets exclude financial asset at fair value through other comprehensive income, financial assets at fair value through profit or loss, deferred tax assets and interests in joint ventures and an associate.

5. Turnover and Segment Information (Continued)

(f) Information about major customers

Included in external revenue arising from construction and maintenance of HK$8,072 million (2022: HK$6,032 million) is revenue of HK$3,362 million and HK$2,241 million, which arose from services provided to the Group's largest and second largest customers respectively (2022: HK$2,954 million and HK$1,406 million from the Group's largest and second largest customers respectively) each contributing over 10% of the total turnover of the Group.

6. Other Income, Other Gains and Losses

	2023 HK$ million	2022 HK$ million
Included in other income, other gains and losses are:		
Other income		
Interest income on financial asset at amortised cost	3	1
Other interest income	22	26
Government subsidies (note)	1	30
Dividend income from an equity investment	3	4
Other gains and losses		
Exchange loss	(3)	(229)
Fair value loss on financial assets at FVTPL	–	(1)
Impairment loss recognised on property inventories	–	(5)
Gain on disposal of property, plant and equipment	1	–
Expected credit losses recognised on trade debtors, contract assets and other receivables	(4)	(18)

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.

7. Finance Costs

	2023 HK$ million	2022 HK$ million
Interest on bank and other loans	223	144
Interest on senior notes	–	5
Interest on lease liabilities	2	2
Other borrowing costs	12	13
	237	164

8. Taxation

	2023 HK$ million	2022 HK$ million
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	73	92
Macau Complementary Tax	1	1
PRC Enterprise Income Tax	–	1
PRC Land Appreciation Tax	1	4
	75	98
Deferred taxation (note 29)	(13)	(16)
	62	82

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

Macau Complementary Tax is calculated at 12.0% (2022: 12.0%) on the estimated assessable profits for the year.

PRC Enterprise Income Tax is calculated at 25% (2022: 25%) on the estimated assessable profits for the year.

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

Details of the deferred taxation are set out in note 29.

The tax charge for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	2023 HK$ million	2022 HK$ million
Loss before taxation	(13)	(40)
Tax at Hong Kong Profits Tax rate of 16.5% (2022: 16.5%)	(2)	(7)
Effect of different tax rates on operations in other jurisdictions	(5)	(7)
PRC Land Appreciation Tax	1	4
Tax effect of PRC Land Appreciation Tax	–	(1)
Tax effect of expenses not deductible for tax purposes	55	81
Tax effect of income not taxable for tax purposes	(26)	(27)
Tax effect of tax losses not recognised	35	31
Reversal of deferred tax assets for unused tax losses	4	7
Others	–	1
Tax charge for the year	62	82

9. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees

Directors and Chief Executives

The emoluments paid or payable to each of the nine (2022: six) Directors were as follows:

For the year ended 31 December 2023

Name of Director	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Bonus* HK$'000	Retirement benefit scheme contributions HK$'000	2023 Total HK$'000
Mr. Lo Hong Sui, Vincent		10	–	–	–	10
Mr. Lee Chun Kong, Freddy		10	5,847	–	266	6,123
Ms. Lo Bo Yue, Stephanie	(a)	315	–	–	–	315
Mr. Chan Wai Kan, George	(a)&(e)	105	–	–	–	105
Mr. Chan Kay Cheung	(b)	595	–	–	–	595
Mr. Lau Ping Cheung, Kaizer	(b)&(c)	314	–	–	–	314
Mr. Wong Hak Wood, Louis	(b)&(g)	139	–	–	–	139
Ms. Li Hoi Lun, Helen	(d)	361	–	–	–	361
Mr. William Timothy Addison	(f)	381	–	–	–	381
Total		2,230	5,847	–	266	8,343

For the year ended 31 December 2022

Name of Director	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Bonus* HK$'000	Retirement benefit scheme contributions HK$'000	2022 Total HK$'000
Mr. Lo Hong Sui, Vincent		10	–	–	–	10
Mr. Lee Chun Kong, Freddy		10	5,846	5,671	266	11,793
Ms. Lo Bo Yue, Stephanie	(a)	315	–	–	–	315
Mr. Chan Kay Cheung	(b)	595	–	–	–	595
Mr. William Timothy Addison	(b)	520	–	–	–	520
Ms. Li Hoi Lun, Helen	(b)	550	–	–	–	550
Total		2,000	5,846	5,671	266	13,783

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

9. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees (Continued)

Directors and Chief Executives (Continued)

Notes:

(a) Non-executive Director.

(b) Independent Non-executive Directors.

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

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

(e) Mr. Chan Wai Kan, George was appointed as a Non-executive Director with effect from 1 September 2023.

(f) Mr. William Timothy Addison was resigned as an Independent Non-executive Director with effect from 25 September 2023.

(g) Mr. Wong Hak Wood, Louis was appointed as an Independent Non-executive Director with effect from 25 September 2023.

(h) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group, and the non-executive director's and independent non-executive directors' emoluments were for their services as directors of the Company.

(i) There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Five Highest Paid Employees

Of the five highest paid individuals in the Group, one (2022: one) is Director of the Company whose emoluments are set out above. The emoluments of the remaining four (2022: four) highest paid employees were as follows:

	2023 HK$ million	2022 HK$ million
Salaries, bonuses and allowances	**18**	19
Other services fee	**1**	–
Retirement benefits scheme contributions	**2**	–
	21	19

The emoluments were within the following bands:

	2023 No. of employees	2022 No. of employees
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,000,001 to HK$5,500,000	**1**	1
HK$5,500,001 to HK$6,000,000	**1**	1
HK$6,000,001 to HK$6,500,000	**1**	–

10. Loss for the Year

	2023 HK$ million	2022 HK$ million
Loss for the year has been arrived at after charging:		
Cost of sales (note):		
Cost of construction	7,432	5,293
Cost of properties sold	8	34
Cost of rendering services	179	174
Direct rental outgoings arising from investment properties	26	28
	7,645	5,529
Staff costs (including directors' emoluments) (note):		
Salaries, bonuses and allowances	887	805
Retirement benefits cost	44	42
	931	847
Depreciation and amortisation		
Depreciation of property, plant and equipment	16	15
Depreciation of right-of-use assets	39	37
Amortisation of other intangible assets	7	7
	62	59
Auditors' remuneration	5	4
Operating lease payments in respect of rented premises	2	2

Note:

Cost of sales includes HK$739 million (2022: HK$631 million) relating to staff costs, which is also included in the staff costs separately disclosed above.

11. Loss Per Share

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

	2023 HK$ million	2022 HK$ million
Loss for the year attributable to owners of the Company:		
Loss for the purpose of basic loss per share	(155)	(232)
Number of shares:	Million	Million
Weighted average number of ordinary shares for the purpose of basic loss per share	373	374

No diluted loss per share for both years were presented as the Company has no dilutive potential ordinary shares outstanding during both years.

12. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

13. Investment Properties

	2023 HK$ million	2022 HK$ million
Fair value		
At the beginning of the year	4,199	4,719
Exchange adjustments	(59)	(395)
Additions	4	1
Disposals	–	(5)
Decrease in fair value recognised	(148)	(121)
At the end of the year	3,996	4,199

The investment properties are completed and situated in Mainland China.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

In determining the fair value of the relevant properties, the Group engages the qualified external valuer to perform the valuation. The management of the Group works closely with the external valuer to establish the appropriate valuation techniques and inputs to the model. The management of the Company reports the findings of the valuation to the Directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties.

The fair values of the Group's investment properties at 31 December 2023 and 31 December 2022 have been arrived at on the basis of valuations carried out on that date by Savills Valuation and Professional Services Limited, independent qualified professional valuer not connected to the Group, which have appropriate qualifications and recent experience in the valuation of similar properties in relevant locations.

The valuations have been arrived by using direct comparison method as available in the market and where appropriate, on the basis of capitalisation of net income. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

There has been no change to the valuation technique during the year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

13. Investment Properties (Continued)

The major inputs used in the fair value measurement of investment properties and information about the fair value hierarchy at 31 December 2023 and 31 December 2022 are as follows:

Investment properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 1 – Shenyang Project Phase I retail portion and car parking spaces	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Capitalisation rate of retail portion, taking into account the capitalisation of rental income potential of retail portion and prevailing market condition, of 6.25% (2022: 6.25%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 1, and vice versa
			Monthly market rent of retail portion, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB71-171 (2022: RMB79-176) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A significant increase in the monthly market rent used would result in a significant increase in fair value of property 1, and vice versa
		Direct Comparison Approach The key input is market price	Market price of car parking spaces, taking into account the time and location between the comparables and the property, of RMB250,000 (2022: RMB250,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 1 and vice versa
Property 2 – Chongqing Creative Concepts Center retail portion and car parking spaces	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Capitalisation rate of retail portion, taking into account the capitalisation of rental income potential of retail portion and prevailing market condition, of 5.0% (2022: 5.0%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 2, and vice versa
			Monthly market rent of retail portion, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB90-226 (2022: RMB91-227) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A significant increase in the monthly market rent used would result in a significant increase in fair value of property 2, and vice versa
		Direct Comparison Approach The key input is market price	Market price of car parking spaces, taking into account the time and location between the comparables and the property, of RMB170,000 (2022: RMB170,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 2 and vice versa

13. Investment Properties (Continued)

Investment properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 3 – Guangzhou Parc Oasis car parking spaces	Level 3	Direct Comparison Approach The key input is market price	Market price, taking into account the time and location between the comparables and the property, of RMB330,000 (2022: RMB330,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 3 and vice versa
Property 4 – Chengdu Centropolitan retail portion, office and car parking spaces	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Capitalisation rate of properties other than car parking spaces, taking into account the capitalisation of rental income potential of properties other than car parking spaces and prevailing market condition, of 4.25%-5.00% (2022: 4.25%-5.00%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 4, and vice versa
			Monthly market rent of properties other than car parking spaces, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB84-190 (2022: RMB85-190) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A significant increase in the monthly market rent used would result in a significant increase in fair value of property 4, and vice versa
		Direct Comparison Approach The key input is market price	Market price of car parking spaces, taking into account the time and location between the comparables and the property, of RMB136,000 (2022: RMB136,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 4 and vice versa
Property 5 – Tianjin Veneto Phase 1	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.5% (2022: 6.5%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 5, and vice versa
			Monthly market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB23-92 (2022: RMB23-93) per sqm per month on gross floor area basis	The higher the market unit rent, the higher the fair value	A significant increase in the market unit rent used would result in a significant increase in fair value of property 5, and vice versa

14. Property, Plant and Equipment

	Properties in other regions of the PRC HK$ million	Motor vehicles HK$ million	Equipment, furniture and other assets HK$ million	Total HK$ million
At cost				
At 1 January 2022	1	23	132	156
Additions	–	4	15	19
Disposals	–	(3)	(4)	(7)
Exchange adjustments	–	–	(5)	(5)
At 31 December 2022	1	24	138	163
Additions	**–**	**3**	**8**	**11**
Disposals	**–**	**(3)**	**(3)**	**(6)**
Exchange adjustments	**–**	**–**	**(1)**	**(1)**
At 31 December 2023	**1**	**24**	**142**	**167**
Accumulated depreciation and impairment				
At 1 January 2022	–	13	110	123
Charge for the year	–	4	11	15
Eliminated on disposals	–	(2)	(4)	(6)
Exchange adjustments	–	–	(4)	(4)
At 31 December 2022	–	15	113	128
Charge for the year	**–**	**5**	**11**	**16**
Eliminated on disposals	**–**	**(3)**	**(2)**	**(5)**
Exchange adjustments	**–**	**–**	**(1)**	**(1)**
At 31 December 2023	**–**	**17**	**121**	**138**
Carrying values				
At 31 December 2023	**1**	**7**	**21**	**29**
At 31 December 2022	1	9	25	35

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Properties in other regions of the PRC (all of which are buildings located on land held under medium-term leases)	2.5% or remaining lease term, if shorter
Motor vehicles, equipment, furniture and other assets	20 – 50%

15. Interests in Joint Ventures

(i) Joint ventures

	2023 HK$ million	2022 HK$ million
Cost of unlisted investments in joint ventures, net of impairment	321	316
Share of post-acquisition losses and other comprehensive income	(236)	(202)
	85	114

Particulars of the principal joint ventures are set out in note 39.

The summarised financial information in respect of the joint ventures that are not individually material to the Group at and for each of the years ended 31 December 2023 and 31 December 2022 attributable to the Group's interest is as follows:

	2023 HK$ million	2022 HK$ million
Profit (loss) after tax	3	(2)
Total comprehensive income (expense)	3	(2)

The Group has discontinued recognition of its share of loss of a joint venture in Nanjing because the Group's share of losses of this joint venture in previous years has exceeded its investment cost. The amounts of the unrecognised share of losses of the joint venture, both for the year and cumulatively, are as follows:

	2023 HK$ million	2022 HK$ million
Unrecognised share of loss of the joint venture for the year	(6)	(4)
Accumulated unrecognised share of losses of the joint venture	(67)	(61)

(ii) Joint operations

The Group's joint operation, China State – Shui On Joint Venture, was formed for the design and construction of the Centre of Excellence in Paediatrics in Hong Kong. The Group has a 40% interest in this joint operation, which was set up and operating in Hong Kong.

16. Interest in an Associate

	2023 HK$ million	2022 HK$ million
Cost of unlisted investment in an associate	24	–
Share of post-acquisition losses and other comprehensive expense	(1)	–
	23	–

On 14 April 2023, a non-wholly owned subsidiary of the Company entered into a share subscription agreement for subscription of certain seed preferred shares of Carnot Innovations Holdings Pte. Ltd. ("Carnot") at a consideration of approximately US$3 million (approximately HK$24 million). The subscription was completed on 27 April 2023. Pursuant to the share subscription agreement, the Group has 40.23% interest in Carnot. Carnot is a private limited company incorporated in Singapore and the principal activity of its subsidiary is development and deployment of advanced analytics software platforms for optimisation of operational costs in commercial buildings.

The Group is able to exercise significant influence over Carnot because it has the power to appoint one out of the three directors of Carnot under the terms of the amended and restated shareholders agreement.

In the opinion of the Directors of the Company, this associate is not individually material to the Group and the following table illustrates its financial information:

	2023 HK$ million	2022 HK$ million
The Group's share of loss and total comprehensive expense for the year	(1)	–
Carrying amount of the Group's interest in the associate	23	–

17. Financial Asset at Fair Value Through Other Comprehensive Income

	2023 HK$ million	2022 HK$ million
Financial asset at fair value through other comprehensive income		
Listed equity securities in Hong Kong (note)	22	30

Note:

The above listed equity securities represent the Group's equity interest in Shui On Land Limited ("SOL") and they are classified as level 1 fair value measurement and is derived from quoted market price. At 31 December 2023, the Group held a 0.4% (2022: 0.4%) equity interest in SOL.

18. Financial Assets at Fair Value Through Profit or Loss

	2023 HK$ million	2022 HK$ million
Financial assets at fair value through profit or loss		
Unlisted equity investment (note a)	5	2
Venture capital fund (note b)	7	4
	12	6

Notes:

(a) This represents the Group's investment in preferred shares of a private entity incorporated in the Cayman Island.

(b) This represents the Group's investment in a venture capital fund as a limited partner in 2022. The Group subscribed for certain interests as passive investor in the fund for a term of 10 years. During the year ended 31 December 2023, the Group paid approximately US$0.4 million (approximately HK$3 million) to the fund and it has uncalled capital commitments of approximately US$1.5 million (approximately HK$12 million) in accordance with the subscription agreement (note 31).

(c) Details of the fair value hierarchy of these financial assets at fair value through profit or loss are set out in note 35(d).

19. Amounts due from/to Joint Ventures

	2023 HK$ million	2022 HK$ million
Amounts due from joint ventures (note a)	75	68
Amounts due to joint ventures (note b)	114	149

Notes:

(a) The balances are unsecured, interest-free and repayable on demand. In the opinion of the Directors of the Company, the balances will be recoverable in the next twelve months from the end of the reporting period.

(b) The balances are unsecured and repayable on demand. Out of the total balance, a total of RMB49 million (HK$54 million) (2022: RMB49 million (HK$55 million)) bear interest at 4.35% per annum (2022: 4.35%) and the rest is interest-free.

20. Properties held for Sale/Properties under Development for Sale

The properties held for sale and properties under development for sale are situated in Mainland China.

	2023 HK$ million	2022 HK$ million
Properties held for sale	664	664
Properties under development for sale (note a)	167	169

Notes:

(a) There were no properties expected to be completed and available for sale after one year from 31 December 2023 and 2022.

(b) The leasehold land element cannot be allocated in proportion to the relative carrying amounts and the entire properties are classified as properties held for sale or properties under development for sale.

21. Other Current Assets

Debtors, deposits and prepayments

	2023 HK$ million	2022 HK$ million
Trade debtors (note b)		
– Construction contracts	565	435
– Sales of goods	3	4
– Rendering of services	45	30
– Operating lease receivables	6	14
	619	483
Less: Allowance for credit losses	(7)	(8)
	612	475
Prepayments and deposits	279	265
Consideration receivable in respect of disposal of an associate	5	29
Other receivables (note c)	722	727
Less: Allowance for credit losses	(5)	(22)
	1,613	1,474

21. Other Current Assets (Continued)

Debtors, deposits and prepayments (Continued)

Notes:

(a) The Group maintains a defined credit policy to assess the credit quality of each counterparty. Collections are closely monitored to minimise any credit risk associated with trade debtors. The general credit term ranges from 30 to 90 days.

(b) At 1 January 2022, 31 December 2022 and 31 December 2023, trade debtors from contracts with customers amounted to HK$440 million, HK$469 million and HK$613 million respectively.

(c) Included in other receivables are receivables of HK$542 million (2022: HK$529 million) due from CCP's former subsidiaries (the "Debtor"), which hold a property interest in the PRC and were disposed of in 2008. The amounts are repayable on demand and out of the total outstanding balance, an amount of HK$132 million (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 receivables in the amount of RMB318 million (approximately HK$351 million) (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 33(a)). Given that there have been continued positive outcomes in the legal disputes in relation to the property interest and recovery of the outstanding receivables, including the successful registration of title deed of the property under the name of the Debtor in May 2015, the Directors of the Company believe that these receivables will be fully settled and the guarantee provided by the Company will be fully released either through the public auction of the aforesaid property interest or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

The following is an aged analysis of trade debtors (based on the repayment terms set out in sale and purchase agreements or invoice date, as appropriate) net of allowance for credit losses at the end of the reporting period:

	2023 **HK$ million**	2022 HK$ million
Trade debtors aged analysis:		
Not yet due or within 90 days	**604**	462
Amounts past due but not impaired:		
91 days to 180 days	**6**	10
181 days to 360 days	**2**	1
Over 360 days	**–**	2
	8	13
	612	475

21. Other Current Assets (Continued)

Debtors, deposits and prepayments (Continued)

Movement in the allowance for credit losses under lifetime ECL:

	2023 HK$ million	2022 HK$ million
Balance at the beginning of the year	8	8
Decrease in provision recognised for the year	(1)	–
Balance at the end of the year	7	8

Included in the trade debtors are receivables of HK$2 million (2022: HK$3 million), which are aged over 180 days, based on the date on which revenue was recognised.

No provision for impairment is considered necessary in respect of the amounts past due but not impaired as there has not been a significant change in credit quality and balances are still considered fully recoverable.

Details of impairment assessment of trade debtors and other receivables for the year ended 31 December 2023 are set out in note 35.

Bank balances, deposits and cash

Bank balances, deposits and cash comprise cash held by the Group and deposits carry interest at market rates with original maturity of three months or less held with banks.

22. Restricted Bank Deposits

Balance at 31 December 2023 represents custody deposits amounting to HK$347 million (2022: HK$365 million) placed with banks mainly in relation to certain banking facilities of the Group.

The deposits carried interest at market rates, which ranged from approximately 0.88% to 2.03% (2022: 0.63% to 2.03%) per annum.

23. Contract Assets and Contract Liabilities

(i) Contract assets

	2023 **HK$ million**	2022 HK$ million
Relating to construction contracts (note)	**1,334**	764

At 1 January 2022, contract assets amounted to HK$665 million.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date on construction. The contract assets are transferred to trade debtors when the rights become unconditional.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group also typically agrees to one to two years retention period for 1% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment become unconditional upon expiration of the defects liability period.

The increase in contract assets in 2023 was the result of the increase in revenue from construction contracts at the end of the reporting period.

Note:

At 31 December 2023, the amount of contract assets that is expected to be recovered after more than one year is HK$105 million (2022: HK$69 million), all of which relates to retention receivable.

23. Contract Assets and Contract Liabilities (Continued)

(ii) Contract liabilities

	2023 HK$ million	2022 HK$ million
Relating to property sales	11	14
Relating to construction contracts	32	21
	43	35

The Group receives a fixed sum as deposits from customers from property sales when they sign the sale and purchase agreement. These deposits are recognised as contract liabilities until the customers obtain control of the completed properties.

When the Group receives a deposit before construction services is rendered, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

Movements in contract liabilities:

	2023 HK$ million	2022 HK$ million
Balance at the beginning of the year	35	21
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(31)	(7)
Increase in contract liabilities as a result of receiving deposits in respect of:		
– property sales	7	–
– construction contracts	32	21
Balance at the end of the year	43	35

24. Amounts due from/to Related Companies

	2023 HK$ million	2022 HK$ million
Amounts due from related companies (notes a and b)	42	18
Amounts due to related companies (notes a and b)	44	44

Notes:

(a) The related companies are subsidiaries of SOCL.

(b) The balances are unsecured, interest-free and repayable on demand.

25. Creditors and Accrued Charges

The aged analysis of creditors (based on invoice date) of HK$772 million (2022: HK$649 million), which are included in the Group's creditors and accrued charges, is as follows:

	2023 HK$ million	2022 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	692	552
31 days to 90 days	57	77
91 days to 180 days	12	6
Over 180 days	11	14
	772	649
Retention payable (note b)	372	262
Provision for contract work/construction cost	1,290	1,124
Other accruals and payables	227	239
	2,661	2,274

Notes:

(a) The average credit period on purchases of certain goods is 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

(b) The balances include retention payable of HK$185 million (2022: HK$138 million), which is due after one year from the end of the reporting period, within normal operating cycle.

26. Bank Borrowings

	2023 HK$ million	2022 HK$ million
Secured bank borrowings	846	905
Unsecured bank borrowings	2,262	2,147
	3,108	3,052
Less: Amounts due within 12 months	(1,618)	(1,624)
Amounts due for settlement after 12 months	1,490	1,428
Carrying amount repayable:		
Within one year	1,618	1,624
More than one year but not exceeding two years	1,425	38
More than two years but not exceeding five years	65	1,390
	3,108	3,052

The carrying amounts of the Group's bank borrowings are analysed as follows:

Denominated in	Interest rate at end of the year (per annum)	2023 HK$ million	2022 HK$ million
At variable rates			
Hong Kong dollars	6.02% to 9.02% (2022: 5.35% to 8.10%)	2,866	2,781
Renminbi	4.45% to 5.70% (2022: 4.55% to 5.60%)	164	193
United States dollars	6.02% (2022: 5.30%)	78	78
		3,108	3,052

The variable interest rates are linked to Hong Kong Interbank Offered Rate ("HIBOR"), Secured Overnight Financing Rate ("SOFR") and prevailing Loan Prime Rate ("LPR") published by the People's Bank of China.

Notes:

1. The Group's investment properties amounting to HK$2,937 million (2022: HK$3,099 million) were pledged as security for certain banking facilities granted to the Group at the end of the reporting period.
2. Restricted bank deposits amounting to HK$347 million at 31 December 2023 (2022: HK$365 million) were placed with banks in relation to certain banking facility arrangements entered into with the Group.
3. In addition, certain equity interests in some subsidiaries were also charged to banks as security for certain banking facilities granted to the Group at the end of the reporting period.
4. In respect of certain bank borrowings with carrying amount of HK$2,787 million at 31 December 2023 (2022: HK$2,676 million), the Group is required to comply with certain covenants throughout the continuance of the relevant borrowings and/or as long as the borrowings are outstanding. The Group has complied with these covenants throughout the reporting period.

27. Share Capital

	2023 Number of shares	2022 Number of shares	2023 HK$ million	2022 HK$ million
Ordinary shares of HK$1 each:				
Authorised				
At the beginning and the end of the year	1,000,000,000	1,000,000,000	1,000	1,000
Issued and fully paid				
At the beginning of the year	373,606,164	374,396,164	373	374
Shares repurchased and cancelled	(100,000)	(790,000)	–	(1)
Shares cancelled	(154,000)	–	–	–
At the end of the year	373,352,164	373,606,164	373	373

During the year, the Company repurchased 100,000 of its own shares on the Stock Exchange at prices ranging from HK$0.72 to HK$1.10 per share, for a total consideration of approximately HK$0.1 million. The repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of the repurchased shares.

In addition, the Company had repurchased 6,000 of its own shares through the Stock Exchange, which have not yet been cancelled at 31 December 2023. The shares were subsequently cancelled in January 2024.

During the year ended 31 December 2022, the Company had repurchased 154,000 of its own shares on the Stock Exchange 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.

The repurchase was effected by the Directors with a view to benefiting the shareholders as a whole by accreting the Group's net asset value per share.

No new shares were issued during the year.

28. Retirement Benefit Plans

Hong Kong

The Group participates in both a defined benefit scheme (the "Scheme"), which is registered under the Occupational Retirement Schemes Ordinance and a Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme and established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the Scheme or switching to the MPF Scheme. All employees joining the Group on or after 1 December 2000 have been required to join the MPF Scheme.

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to LSP to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "Eligible Offset Amount"), for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement"). The LSP obligation, if any, is presented on a net basis.

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment will come into effect prospectively from a date to be determined by the HKSAR Government, which is expected to be in 2025 (the "Transition Date"). Under the amended Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date.

Mandatory Provident Fund Scheme

For members of the MPF Scheme, contributions are made by the employee at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employee's salary, depending on the employee's length of service with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated statement of profit or loss as staff costs during the year amounted to HK$30 million (2022: HK$28 million). The amount of employer's voluntary contributions to the MPF Scheme forfeited for the years ended 31 December 2023 and 31 December 2022 was immaterial and was used to reduce the existing level of contributions.

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme

Contributions to the Scheme are made by the members at 5% of their salaries and by the Group at rates, which are based on recommendations made by the actuary to the Scheme. The employer contribution rate for the year ended 31 December 2023 was 71.6% to 74.0% (2022: 9.0%) of the members' salaries. Under the Scheme, a member is entitled to retirement benefits, which comprise the sum of any benefits transferred from another scheme and the greater of the sum of the employer's scheduled contribution plus the member's contribution (both contributions being calculated on the scheme salary of the member) accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the years of service in the Scheme on the attainment of the retirement age of 60. For members who joined the Scheme before 1997, the retirement age is 60 for male members and 55 for female members.

The Scheme typically exposes the Company to the following key risks:

- Investment risk

  Strong investment returns tend to increase the fair value of Scheme assets and therefore improve the Scheme's financial position as measured by the net defined benefit liability/asset, whilst poor or negative investment returns tend to weaken the position.

  The members' balances are credited with 6% per annum and 1% per annum interest to pre and post 1 September 2003 balances respectively. Therefore, investment returns are expected to cover the interest to be credited to members' balances over the long term.

  The Scheme assets are invested in a diversified portfolio of equities, hedge funds, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location helps to reduce the concentration of risk associated with the Scheme investments.

- Interest rate risk

  The defined benefit obligation is calculated using a discount rate based on market bond yields. A decrease in the bond yields will increase the defined benefit obligation.

- Salary risk

  The defined benefit obligation is calculated with reference to the future salaries of members because the Scheme's benefits are salary-related. Salary increases that are higher than expected will increase the defined benefit obligation.

The most recent actuarial valuations of the Scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2023 by Ms. Elaine Hwang of Willis Towers Watson, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

The principal actuarial assumptions used at the end of the reporting periods are as follows:

	2023	2022
Discount rate	3.0%	3.7%
Expected rate of salary increase	3.0% p.a.	2.5% p.a.

The actuarial valuation shows that the fair value of the Scheme assets attributable to the Group at 31 December 2023 was HK$218 million (2022: HK$210 million), representing 71% (2022: 68%) of the benefits that has accrued to members.

Amounts recognised in profit or loss and other comprehensive income for the year in respect of the Scheme are as follows:

	Year ended 31 December	
	2023 HK$ million	2022 HK$ million
Current service cost	7	8
Net interest on net defined benefit liabilities	2	1
Administrative expenses paid from scheme assets	1	1
Defined benefit cost recognised in the consolidated statement of profit or loss	10	10
Actuarial loss due to experience adjustment	7	8
Actuarial loss (gain) due to financial assumption changes	14	(33)
Effect on group consolidation	5	–
Return on Scheme assets less than discount rate	20	60
Remeasurement effects recognised in the consolidated statement of other comprehensive income	46	35
Total	56	45

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of the Scheme is as follows:

	2023 HK$ million	2022 HK$ million
Present value of defined benefit obligation	(305)	(310)
Fair value of Scheme assets	218	210
Defined benefit liabilities included in the consolidated statement of financial position	(87)	(100)

The Scheme assets do not include any shares in the Company (2022: nil).

Movements of the present value of defined benefit obligation are as follows:

	2023 HK$ million	2022 HK$ million
At the beginning of the year	310	366
Current service cost	7	8
Interest cost	11	4
Employees' contributions	4	4
Actuarial loss – experience adjustment	7	8
Actuarial loss (gain) – financial assumptions	14	(33)
Benefits paid	(54)	(42)
Transfer in (out)	6	(5)
At the end of the year	305	310

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

Movements of the present value of Scheme assets are as follows:

	2023 HK$ million	2022 HK$ million
At the beginning of the year	210	303
Interest income on Scheme assets	9	3
Return on scheme assets less than discount rate	(20)	(60)
Employers' contributions	69	8
Employees' contributions	4	4
Benefits paid	(54)	(42)
Transfer in (out)	6	(5)
Effect on group consolidation	(5)	–
Administrative expenses paid from scheme assets	(1)	(1)
At the end of the year	218	210

The major categories of Scheme assets of total Scheme assets are as follows:

	2023 HK$ million	2022 HK$ million
Equities	129	126
Bonds	83	76
Cash and others	6	8
	218	210

The fair value of the Scheme assets is determined based on quoted market price in active market.

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

The below tables summarise the results of sensitivity analysis on the defined benefit obligation ("DBO"), based on reasonably possible changes in significant actuarial assumptions.

	Adopted rate	Change to Adopted rate	Rate used in sensitivity analysis	Effect on DBO HK$ million	Effect on DBO %
At 31 December 2023					
Discount rate	**3.0%**	**+0.25%**	**3.25%**	**(3)**	**(1.0%)**
		-0.25%	**2.75%**	**3**	**1.1%**
Expected rate of salary increase	**3.0%**	**+0.25%**	**3.25%**	**3**	**0.9%**
		-0.25%	**2.75%**	**(3)**	**(0.9%)**
At 31 December 2022					
Discount rate	3.7%	+0.25%	3.95%	(3)	(1.1%)
		-0.25%	3.45%	3	1.1%
Expected rate of salary increase	2.5%	+0.25%	2.75%	3	1.0%
		-0.25%	2.25%	(3)	(1.0%)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The expected contributions to the Scheme during the next financial year are as follows:

	2023 HK$ million	2022 HK$ million
Expected employer contributions	**50**	71
Expected member contributions	**3**	4

The weighted average duration of the defined benefit obligation at 31 December 2023 is 4.2 years (2022: 4.4 years).

28. Retirement Benefit Plans (Continued)

PRC

The employees of the Company's subsidiaries in the PRC are members of state-managed retirement plans operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement plans to fund the benefits. The only obligation of the Group with respect to the retirement plans is to make the specified contributions. The Group's contributions to state-managed retirement plans charged to the consolidated statement of profit or loss as staff cost during the year amounted to HK$4 million (2022: HK$4 million).

No other post-retirement benefits are provided to the employees of the Group.

29. Deferred Taxation

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$ million	Revaluation of properties HK$ million	Tax losses HK$ million	Total HK$ million
At 1 January 2022	(2)	(367)	58	(311)
Exchange adjustments	–	29	(4)	25
Credit (charge) to consolidated statement of profit or loss	–	23	(7)	16
At 31 December 2022	(2)	(315)	47	(270)
Exchange adjustments	–	4	–	4
Credit (charge) to consolidated statement of profit or loss	1	15	(3)	13
At 31 December 2023	**(1)**	**(296)**	**44**	**(253)**

29. Deferred Taxation (Continued)

For the purposes of the consolidated statement of financial position presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 HK$ million	2022 HK$ million
Deferred tax assets	–	2
Deferred tax liabilities	(253)	(272)
	(253)	(270)

Notes:

(a) At 31 December 2023, the Group had unused tax losses of HK$2,021 million (2022: HK$1,937 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK$178 million (2022: HK$189 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$1,843 million (2022: HK$1,748 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2023 are tax losses of approximately HK$429 million (2022: HK$445 million) that will expire within 5 years from the year of originating. Other tax losses may be carried forward indefinitely.

(b) Under the tax regulations of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Group's PRC investees from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to profits earned by the Company's PRC subsidiaries amounting to HK$619 million at 31 December 2023 (2022: HK$630 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. Lease Arrangements

As lessee

The Group leases certain office properties. Leases are negotiated for lease terms ranging from one to three years.

Information about leases for which the Group is a lessee is presented below.

(a) Right-of-use assets

	2023 HK$ million	2022 HK$ million
At the beginning of the year	55	24
Depreciation	(39)	(37)
Acquisition of a subsidiary	–	1
Additions	38	73
Disposals	(6)	(6)
At the end of the year	48	55

30. Lease Arrangements (Continued)

As lessee (Continued)

(b) Amounts recognised in profit or loss

	2023 HK$ million	2022 HK$ million
Depreciation of right-of-use assets	39	37
Interest on lease liabilities	2	2
Expenses relating to short-term leases	2	2

(c) Amounts recognised in statement of cash flows

	2023 HK$ million	2022 HK$ million
Total cash outflow for leases	43	40

As lessor

The Group leases out its investment properties and all leases are classified as operating leases. Rental income from the Group's investment properties during the year ended 31 December 2023 was HK$78 million (2022: HK$74 million), of which contingent rental income was HK$6 million (2022: HK$6 million).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023 HK$ million	2022 HK$ million
Within one year	60	60
After one year but within two years	47	42
After two years but within three years	35	31
After three years but within four years	26	24
After four years but within five years	21	18
After five years	61	65
	250	240

31. Capital and Other Commitments

At 31 December 2023, the Group had uncalled capital commitments relating to the venture capital fund amounting to approximately US$1.5 million (approximately HK$12 million) (note 18(b)) (2022: US$1.9 million (approximately HK$15 million)).

32. Acquisition of a subsidiary

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

The following table summarised the consideration paid, fair value of the assets acquired and liabilities assumed at the acquisition date:

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

32. Acquisition of a subsidiary (Continued)

The fair value of the receivables at the date of acquisition amounted to approximately HK$8 million. The gross contractual amounts of those receivables acquired amounted to approximately HK$9 million, of which HK$1 million is expected to be uncollectible.

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

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

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

Turnover of HK$31 million included in the consolidated statement of profit or loss since the date of acquisition to 31 December 2022 was contributed by Welpro. Welpro also contributed net profit of HK$10 million over the same period.

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

33. Contingent Liabilities

At 31 December 2023, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

(a) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of CCP at that time (the "Former Subsidiary"). Subsequently, the Former Subsidiary was sold by CCP in 2008, but the Company remained as the guarantor for the bank loan following the disposal (see note 21(c) for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee to October 2024, 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$598 million) (2022: RMB542 million (HK$607 million)) and the related interest amounting to RMB814 million (HK$898 million) (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 consolidated statement of financial position.

33. 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 31 December 2023, if any, will not be more than RMB14 million (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.

34. Material Related Party Transactions

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

Nature of transactions	2023 HK$ million	2022 HK$ million
Dividend income	3	4
Management and information system services income	1	1
Revenue from property management services	8	6
Disbursements on cost basis for costs and expenses incurred in the course of performing the property management services	10	11
Revenue from installation works of electronic display	–	3
Revenue from maintenance/renovation works	133	9
Revenue from smart facilities management services	6	1
Rental expenses	3	3

The outstanding balances with SOCL Private Group at the end of the reporting period are disclosed in note 24.

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

Nature of transactions	2023 HK$ million	2022 HK$ million
Interest expenses	10	11

The outstanding balances with joint ventures at the end of the reporting period are disclosed in note 19.

(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.

34. Material Related Party Transactions (continued)

(d) Disclosures of the remuneration of Directors and other members of key management during the year under HKAS 24 Related Party Disclosures, were as follows:

	2023 HK$ million	2022 HK$ million
Fees	2	2
Salaries and other benefits	20	20
Performance bonuses	11	15
Other services fee	1	–
Retirement benefit scheme contributions	1	1
	35	38

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

Certain of the above related party transactions also constituted non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules, details of which are disclosed under the Directors' Report section.

35. Financial Instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. There has been no change in the Group's exposure to capital risk or the manner in which it manages and measures the risk.

The capital structure of the Group consists of debts, which include bank borrowings and equity attributable to the owners of the Company, comprising issued share capital, reserves and accumulated losses.

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will adjust its overall capital structure through the issue of new shares, new debt or the redemption of existing debt.

35. Financial Instruments (continued)

(b) Categories of financial instruments

	2023 HK$ million	2022 HK$ million
Financial assets		
At fair value through other comprehensive income	22	30
At fair value through profit or loss	12	6
At amortised cost	2,711	3,005
Financial liabilities		
At amortised cost	4,487	4,189

(c) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, venture capital fund, debtors, amounts due from joint ventures and related companies, restricted bank deposits, bank balances, deposits and cash, creditors, amounts due to joint ventures and related companies, lease liabilities and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

The Group is exposed primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk. Details of each type of market risk are described as follows:

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and variable-rate borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk but would consider doing so in respect of significant exposure should the need arise.

The Group is also exposed to interest-bearing financial assets.

The Group's exposure to interest rates on bank deposits and financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, SOFR and LPR arising from the Group's borrowings.

35. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Interest rate risk (Continued)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for variable-rate borrowings. No sensitivity analysis is performed for bank deposits as the management considered the risk is immaterial. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. An increase or decrease of 100 basis points (2022: 100 basis points) is used when reporting the interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been increased/decreased by 100 basis points (2022: 100 basis points) and all other variables were held constant, the Group's post-tax loss for the year would increase/decrease by approximately HK$31 million (2022: HK$31 million). In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

(ii) Foreign currency risk

Most of the Group's financial assets and financial liabilities are denominated in Hong Kong dollars or Renminbi, which are the same as the functional currency of the relevant group entities. The Group has certain bank balances and cash, current accounts with joint ventures and borrowings, which are denominated in foreign currencies and hence exposure to exchange rate fluctuations arises. The Group currently manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and will take out currency hedging contracts to reduce its foreign currency risk, where appropriate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are as follows:

	2023 HK$ million	2022 HK$ million
Assets		
Renminbi	**1,167**	1,576
United States dollars	**95**	95
Hong Kong dollars	**104**	153
Liabilities		
United States dollars	**78**	78
Hong Kong dollars	**1,244**	937

35. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Foreign currency risk (Continued)

Foreign currency sensitivity

The Group's foreign currency risk is mainly concentrated on the fluctuation among Renminbi, the United States dollars and Hong Kong dollars. The sensitivity analysis does not include those United States dollars denominated assets and liabilities when they are held by group entities having Hong Kong dollars as their functional currency since the exchange rates between United States dollars and Hong Kong dollars are pegged.

The following table details the Group's sensitivity to a 7% (2022: 7%) change in the functional currencies of the relevant group entities against foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 7% (2022: 7%) change in foreign currency rates. The following table indicates the impact to the loss after tax where the foreign currencies strengthen against the functional currencies of the relevant group entities. For a 7% (2022: 7%) weakening of the foreign currencies against the functional currencies of the relevant group entities, there would be an equal and opposite impact on the results. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Decrease (increase) in loss	**2023** **HK$ million**	2022 HK$ million
Renminbi	**82**	110
United States dollars	**7**	7
Hong Kong dollars	**(80)**	(55)

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity instruments at fair value through other comprehensive income. If the market price of the investments had been increased/decreased by 20% (2022: 20%), the Group's reserve at 31 December 2023 would increase/decrease by approximately HK$4 million (2022: HK$6 million).

35. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 33.

Trade debtors and contract assets arising from contracts with customers

In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances and contract assets. In this regard, the Directors of the Company consider that the credit risk is significantly reduced.

As part of the Group's credit risk management, the Group applies internal credit rating for its trade debtors and contract assets. The following table provides information about the exposure to credit risk for trade debtors and contract assets, which are assessed individually for debtors.

Gross carrying amount Internal credit rating	Average loss rates	Trade debtors HK$ million	Contract assets HK$ million
At 31 December 2023			
Low risk (note a)	**0.20%**	**610**	**1,332**
Watch risk (note b)	**35.38%**	**–**	**5**
Loss (note c)	**100%**	**3**	**–**
At 31 December 2022			
Low risk (note a)	0.22%	463	761
Watch risk (note b)	25.27%	–	5
Loss (note c)	100%	6	–

The estimated loss rates are estimated based on actual loss experience over the past three years and are adjusted for forward-looking information that is available without undue cost or effort.

Notes:

(a) The counterparty has a low risk of default and does not have any past-due amounts.

(b) Debtor frequently repays after due dates but usually settle after due date.

(c) There is evidence indicating the asset is credit-impaired.

(c) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables

In order to reduce credit risk, the Group has procedures in place to monitor the credit standing of the counterparty and to ensure that follow-up action is taken to recover these receivables. The Group makes periodic individual assessment on the recoverability of other receivables with reference to the historical default experience and forward-looking factors. The Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided allowance for credit losses was limited to 12m ECL.

In particular, the Group reviews the recoverable amount of the other receivable of HK$542 million (2022: HK$529 million) due from a counterparty and the probability of default by this counterparty and the loss given default at the end of each reporting period.

For the year ended 31 December 2023, the Group recognised and wrote-off loss allowance of HK$4 million and HK$21 million respectively (2022: recognised of HK$18 million) on other receivables after the assessment. Except as described above, the Directors of the Company considered that no allowance for credit losses in respect of these receivables is necessary at the end of the reporting period.

The Group has certain concentration of credit risk in respect of trade debtors and other receivables. At 31 December 2023, 34% (2022: 36%) of total trade debtors and other receivables was due from a counterparty. At 31 December 2023, other receivables of HK$542 million (2022: HK$529 million) were due from a counterparty and a guarantee on outstanding loan principal amounting to RMB542 million (HK$598 million) (2022: RMB542 million (HK$607 million)) and related interest amounting to RMB814 million (HK$898 million) (2022: RMB748 million (HK$837 million)) was issued by the Company in respect of a loan advanced to this counterparty. Except for the above, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Restricted bank deposits, bank balances and deposits

The credit risk on restricted bank deposits, bank balances and deposits are limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

Amounts due from joint ventures and related companies

With respect to credit risk arising from amounts due from joint ventures and related companies, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparties have sufficient future cash flows to repay its debts and a good history of repayment. The Group does not expect to incur a significant loss for uncollected amounts due from these joint ventures and related companies.

35. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the Group's contractual maturity for its financial liabilities as well as certain financial assets. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. For financial assets, the table reflects the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand or less than 1 year	1-2 years	2-5 years	Total undiscounted cash flow	Carrying amount
	% p.a.	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 31 December 2023						
Bank deposits	1.98%	328	–	–	328	325
Non-derivative financial liabilities						
Trade and other payables (note)	–	(1,194)	(185)	–	(1,379)	(1,379)
Bank borrowings at variable rate	7.89%	(1,784)	(1,437)	(70)	(3,291)	(3,108)
Lease liabilities	5.00%	(30)	(19)	(4)	(53)	(50)
		(2,680)	(1,641)	(74)	(4,395)	(4,212)
At 31 December 2022						
Bank deposits	2.00%	378	–	–	378	375
Non-derivative financial liabilities						
Trade and other payables (note)	–	(999)	(138)	–	(1,137)	(1,137)
Bank borrowings at variable rate	7.20%	(1,812)	(129)	(1,406)	(3,347)	(3,052)
Lease liabilities	5.00%	(34)	(21)	(6)	(61)	(57)
		(2,467)	(288)	(1,412)	(4,167)	(3,871)

Note:

Trade and other payables represent trade creditors, amounts due to joint ventures and related companies, and other payables.

35. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Liquidity risk (continued)

At the end of the reporting period, the Group has provided a financial guarantee to an independent third party (note 33(a)). In the event of the failure of this party to meet his obligation under this facility, the Group may be required to pay up to the guaranteed amount of HK$1,496 million (2022: HK$1,444 million) upon demand. Management does not consider that it is probable for this party to claim the Group under this guarantee.

(d) Fair value measurements of financial instruments

The following table presents the Group's financial instruments that are measured at fair value at the end of the reporting period.

At 31 December 2023

	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Financial asset at fair value through other comprehensive income				
– Listed equity securities (note a)	22	–	–	22
Financial assets at fair value through profit or loss				
– Unlisted equity investment (note b)	–	5	–	5
– Venture capital fund (note c)	–	–	7	7
	22	5	7	34

35. Financial Instruments (Continued)

(d) Fair value measurements of financial instruments (continued)

At 31 December 2022

	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Financial asset at fair value through other comprehensive income				
– Listed equity securities (note a)	30	–	–	30
Financial assets at fair value through profit or loss				
– Unlisted equity investment (note b)	–	2	–	2
– Venture capital fund (note c)	–	–	4	4
	30	2	4	36

Notes:

(a) The fair value of the listed equity securities in Hong Kong was derived from unadjusted quoted prices available on the Stock Exchange (active market).

(b) The fair value of the unlisted equity investment was determined with reference to recent transactions of the investee's shares.

(c) The fair value of the venture capital fund investment was determined based on the net asset value of the venture capital fund with underlying assets and liabilities measured at fair value as reported by the general partner of the fund. The higher the net asset value, the higher the fair value.

(d) There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the year.

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year ended 31 December 2023.

	2023 HK$ million	2022 HK$ million
Opening balance at 1 January	**4**	–
Acquisition	**–**	5
Capital contributions	**3**	–
Fair value loss to profit or loss	**–**	(1)
Closing balance at 31 December	**7**	4

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

36. Reconciliation of Liabilities arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK$ million	Senior notes HK$ million	Interest payable (included in other payables) HK$ million	Lease liabilities HK$ million	Dividends payable to non-controlling interests HK$ million	Total HK$ million
At 1 January 2022	1,818	1,227	61	25	–	3,131
Financing cash flows	1,254	(1,227)	(165)	(38)	(51)	(227)
New leases entered	–	–	–	73	–	73
Early termination	–	–	–	(6)	–	(6)
Acquisition of a subsidiary	–	–	–	1	–	1
Finance costs	–	5	157	2	–	164
Interest payable reclassified to other payables	–	(5)	5	–	–	–
Dividends payable to non-controlling interests	–	–	–	–	51	51
Exchange adjustments	(20)	–	–	–	–	(20)
At 31 December 2022	3,052	–	58	57	–	3,167
Financing cash flows	**58**	**–**	**(230)**	**(41)**	**(52)**	**(265)**
New leases entered	**–**	**–**	**–**	**38**	**–**	**38**
Early termination	**–**	**–**	**–**	**(7)**	**–**	**(7)**
Finance costs	**–**	**–**	**235**	**2**	**–**	**237**
Capitalisation of lease interest	**–**	**–**	**–**	**1**	**–**	**1**
Dividends payable to non-controlling interests	**–**	**–**	**–**	**–**	**52**	**52**
Exchange adjustments	**(2)**	**–**	**–**	**–**	**–**	**(2)**
At 31 December 2023	**3,108**	**–**	**63**	**50**	**–**	**3,221**

37. Statement of Financial Position of the Company

	2023 HK$ million	2022 HK$ million
Non-current Assets		
Property, plant and equipment	6	7
Right-of-use assets	5	17
Interests in subsidiaries	7,121	7,307
Club memberships	1	1
	7,133	7,332
Current Assets		
Debtors, deposits and prepayments	323	310
Amounts due from subsidiaries	5	29
Financial asset at amortised cost	7	6
Bank balances, deposits and cash	19	39
	354	384
Current Liabilities		
Creditors and accrued charges	45	405
Lease liabilities	4	12
Amounts due to joint ventures	194	82
Amounts due to related companies	404	403
Bank borrowings	862	837
	1,509	1,739
Net Current Liabilities	(1,155)	(1,355)
Total Assets Less Current Liabilities	5,978	5,977
Capital and Reserves		
Share capital (note 27)	373	373
Reserves (note)	1,969	2,114
	2,342	2,487
Non-current Liabilities		
Bank borrowings	1,097	1,297
Lease liabilities	–	5
Amounts due to subsidiaries	2,452	2,088
Defined benefit liabilities	87	100
	3,636	3,490
	5,978	5,977

37. Statement of Financial Position of the Company (Continued)

Note: Movement of the Company's reserves are set out below:

	Share premium HK$ million	Contributed surplus HK$ million	(Accumulated losses)/ retained profits HK$ million	Actuarial gain and loss HK$ million	Other reserve HK$ million	Total HK$ million
At 1 January 2022	2,982	89	(1,116)	(13)	231	2,173
Profit for the year	–	–	2	–	–	2
Remeasurement of defined benefit scheme	–	–	–	(35)	–	(35)
Total comprehensive income (expense) for the year	–	–	2	(35)	–	(33)
Share premium reduction	(2,982)	1,866	1,116	–	–	–
Dividends recognised as distribution	–	(26)	–	–	–	(26)
At 31 December 2022	–	1,929	2	(48)	231	2,114
Loss for the year	–	–	(99)	–	–	(99)
Remeasurement of defined benefit scheme	–	–	–	(46)	–	(46)
Total comprehensive expense for the year	–	–	(99)	(46)	–	(145)
At 31 December 2023	–	1,929	(97)	(94)	231	1,969

38. Particulars of Principal Subsidiaries

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries at 31 December 2023 and 31 December 2022 which principally affect the results or assets of the Group. All the companies listed below were incorporated and are operating in Hong Kong except as otherwise indicated.

Subsidiaries	Issued and fully paid share capital/ registered and paid-up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Construction and maintenance business				
Shui On Contractors Limited*	200 shares of US$1 each	92.75% (Note 1)	–	Investment holding
P.D. (Contractors) Limited	1,000,000 ordinary shares (HK$1,000,000)	–	72.35% (Note 2)	Renovation work
Pacific Extend Limited	12,000,000 ordinary shares (HK$12,000,000) 6,000 special shares (HK$6,000)	–	71.42% (Note 3)	Maintenance contractor
Pat Davie Limited	33,000,000 ordinary shares (HK$33,000,000) 100,000 non-voting deferred shares (HK$1,000,000) 6,800,000 non-voting deferred shares (HK$6,800,000)	–	72.35% (Note 2)	Interior decoration, fitting out, design and contracting
Pat Davie (Macau) Limited##	Two quotas of total face value of MOP1,000,000	–	72.35% (Note 2)	Interior decoration, fitting out, design and contracting
Shui On Building Contractors Limited	117,000,100 ordinary shares (HK$117,000,100) 33,000,100 non-voting deferred shares (HK$33,000,100) 50,000 non-voting deferred shares (HK$50,000,000)	–	92.75% (Note 1)	Building construction and maintenance
Shui On Construction Company Limited	100 ordinary shares (HK$100) 69,000,000 non-voting deferred shares (HK$69,000,000) 1,030,000 non-voting deferred shares (HK$103,000,000)	–	92.75% (Note 1)	Building construction
Shui On Plant and Equipment Services Limited	16,611,000 ordinary shares (HK$16,611,000) 45,389,000 non-voting deferred shares (HK$45,389,000)	–	92.75% (Note 1)	Owning and leasing of plant and machinery and structural steel construction work
Shui On Facade Company Limited	4,000,000 ordinary shares (HK$4,000,000)	–	92.75% (Note 1)	Facade supply and construction contract

38. Particulars of Principal Subsidiaries (Continued)

Subsidiaries	Issued and fully paid share capital/ registered and paid-up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Construction and maintenance business (Continued)				
Welpro Technology Limited	2,700,000 ordinary shares (HK$2,700,000)	–	46.42% (Note 4)	Installation works of electronic display and provision of security systems
NetZo (HK) Limited	1 ordinary share (HK$1)	–	100%	Provision of smart facilities management solutions and services
Janus Services Limited	1 ordinary share (HK$1)	–	100%	Provision of building information modelling services
瓴喆智能科技(上海)有限公司**+	Registered capital of RMB20,000,000 and paid-up capital of RMB10,000,000	–	100%	Provision of smart facilities management solutions and services
Property business				
New Rainbow Investments Limited*	1 share of US$1	100%	–	Investment holding
Brilliance Investments Limited*	1 share of US$1	100%	–	Investment holding
Main Zone Group Limited*	1 share of US$1	100%	–	Inactive
China Central Properties Limited^	281,193,011 shares of GBP0.01 each	57.12%	42.88%	Investment holding
Shui On China Central Properties Limited*	1 share of US$1	–	100%	Investment holding
Honest Joy Investments Limited*	100 shares of US$1 each	–	100%	Investment holding
Pacific Hill Limited	1 ordinary share (HK$1)	–	100%	Investment holding
Shui On Properties Management Services Limited	2 ordinary shares (HK$2)	–	100%	Investment holding

38. Particulars of Principal Subsidiaries (Continued)

Subsidiaries	Issued and fully paid share capital/ registered and paid-up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Property business (Continued)				
Pacific Extend Properties Management Limited	2 ordinary shares (HK$2)	–	100%	Provision of property management services
SOCAM Asset Management Limited*	1 share of US$1	100%	–	Investment holding
SOCAM Asset Management (HK) Limited	1 ordinary share (HK$1)	–	100%	Provision of management services
Cosy Rich Limited*	2 shares of US$1 each	–	100%	Investment holding
Win Lead Holdings Limited*	100 shares of US$1 each	–	100%	Investment holding
Dalian Shengyuan Real Estate Consulting Co., Ltd.**+	Registered and paid-up capital of RMB50,000,000	–	100%	Investment holding
北京億達房地產開發有限公司**++ (Beijing Yida Real Estate Development Co., Ltd.)	Registered and paid-up capital of RMB30,000,000	–	100%	Inactive
Chongqing Hui Zheng Properties Co., Ltd.**+	Registered and paid-up capital of US$75,000,000	–	100%	Property development
Shenyang Hua Hui Properties Co. Ltd.**+	Registered and paid-up capital of US$70,000,000	–	100%	Property development
廣州英發房地產開發有限公司**+ (Guangzhou Infotach Property Development Co., Ltd.)	Registered and paid-up capital of US$10,000,000	–	100%	Property development
Beijing SOCAM Real Estate Consulting Co., Ltd.**+	Registered and paid-up capital of RMB800,000	–	100%	Provision of consultancy services
Chengdu Xianglong Real Estate Co., Ltd.**+	Registered and paid-up capital of RMB450,000,000	–	100%	Property development

38. Particulars of Principal Subsidiaries (Continued)

Subsidiaries	Issued and fully paid share capital/ registered and paid-up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Property business (Continued)				
江蘇九西建設發展有限公司**+ (Jiangsu Jiu Xi Development Co., Ltd.)	Registered and paid-up capital of RMB382,000,000	–	100%	Property development
天津市聖偉房地產開發有限公司**+ (Summer Great (Tianjin) Co., Ltd.)	Registered and paid-up capital of US$5,000,000	–	100%	Property development and leasing of investment properties
嘉傑（天津）置業投資有限公司**++	Registered and paid up capital of RMB400,000,000	–	100%	Property development and leasing of investment properties
Other businesses				
Shui On Building Materials Limited	100 ordinary shares (HK$100) 1,000,000 non-voting deferred shares (HK$1,000,000)	–	100%	Investment holding
Tinsley Holdings Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Winway Holdings Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
貴州凱里瑞安水泥有限公司**+ (Guizhou Kaili Shui On Cement Co. Ltd.)	Registered and paid-up capital of RMB60,000,000	–	100%	Inactive

* Incorporated in the British Virgin Islands
** Established and operated in Mainland China
*** Incorporated in Mauritius
\## Incorporated in Macau Special Administrative Region of the PRC
^ Incorporated in Isle of Man
\+ Wholly foreign-owned enterprise
\++ Limited liability company

None of the subsidiaries had any debt securities subsisting at 31 December 2023 or at any time during the year.

Notes:

1. The share interests held by the Group in these companies were increased from 88.75% to 92.75% during the year ended 31 December 2023.
2. The share interests held by the Group in these companies were increased from approximately 69.23% to approximately 72.35% during the year ended 31 December 2023.
3. The share interest held by the Group in this company was increased from approximately 68.34% to approximately 71.42% during the year ended 31 December 2023.
4. The share interest held by the Group in this company was increased from approximately 44.42% to approximately 46.42% during the year ended 31 December 2023.

39. Particulars of Principal Joint Ventures

The Directors are of the opinion that a complete list of the particulars of all joint ventures will be of excessive length and therefore the following list contains only the particulars of principal joint ventures of the Group at 31 December 2023 and 31 December 2022. All the companies listed below were incorporated and are operating in Hong Kong except otherwise indicated.

Indirect joint ventures	Issued and paid-up share capital/registered and paid-up capital	Interest held by the Group	Principal activities
Construction and maintenance business			
Super Race Limited	420,000 ordinary shares (HK$3,697,000)	50%	Inactive
鶴山超合預制件有限公司**@ (Heshan Chaohe Yizhi Jian Co. Ltd.)	Registered and paid-up capital of US$1,284,600	50%	Inactive
Janus Wan You Company Limited	1,900 ordinary shares (HK$9,500,000) 100 non-voting shares (HK$500,000)	47.5% (Note 2)	Trading of precast concrete products
Other businesses			
貴州遵義瑞安水泥有限公司**@ (Guizhou Zunyi Shui On Cement Co. Ltd.)	Registered and paid-up capital of RMB92,000,000	80%	Inactive
Nanjing Jiangnan Cement Co., Ltd.**@	Registered and paid-up capital of RMB120,000,000	25.2%	Inactive

** Established and operated in Mainland China

@ Equity joint venture

Notes:

1. The Group and the other joint venturers are contractually agreed sharing of control and have rights to the net assets of these entities. The decisions about the relevant activities of these entities require unanimous consent of the Group and the other joint venturers. Accordingly, the Directors consider they are joint ventures.
2. The Group holds 50% voting rights of this joint venture through holding of 950 ordinary shares of the company.

The end of the consolidated financial statements.

The statement below from the Company does not form part of the consolidated financial statements:

Readers of these consolidated financial statements are strongly encouraged to read the Management Discussion and Analysis section set out in this annual report, which does not form part of the consolidated financial statements, to gain a fuller appreciation of the Group's financial results and situation in the context of its activities.

1. Results

	Year ended 31 December				
	2019 HK$ million	2020 HK$ million	2021 HK$ million	2022 HK$ million	**2023** **HK$ million**
Turnover	5,545	5,670	5,267	6,307	**8,336**
Profit (loss) before taxation	256	270	253	(40)	**(13)**
Taxation	(177)	(131)	(78)	(82)	**(62)**
Profit (loss) for the year	79	139	175	(122)	**(75)**
Attributable to:					
Owners of the Company	7	52	76	(232)	**(155)**
Non-controlling interests	72	87	99	110	**80**
	79	139	175	(122)	**(75)**

2. Assets and Liabilities

	At 31 December				
	2019 HK$ million	2020 HK$ million	2021 HK$ million	2022 HK$ million	**2023** **HK$ million**
Total assets	9,436	9,750	9,582	9,109	**9,166**
Total liabilities	(6,454)	(6,399)	(6,048)	(6,176)	**(6,527)**
	2,982	3,351	3,534	2,933	**2,639**
Equity attributable to:					
Owners of the Company	2,805	3,132	3,264	2,629	**2,371**
Non-controlling interests	177	219	270	304	**268**
	2,982	3,351	3,534	2,933	**2,639**

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. Lau Ping Cheung, Kaizer
Mr. Wong Hak Wood, Louis

AUDIT COMMITTEE

Mr. Chan Kay Cheung *(Chairman)*
Mr. Lau Ping Cheung, Kaizer
Mr. Wong Hak Wood, Louis

REMUNERATION COMMITTEE

Mr. Lau Ping Cheung, Kaizer *(Chairman)*
Mr. Lo Hong Sui, Vincent
Ms. Lo Bo Yue, Stephanie
Mr. Chan Kay Cheung
Mr. Wong Hak Wood, Louis

NOMINATION COMMITTEE

Mr. Lo Hong Sui, Vincent *(Chairman)*
Ms. Lo Bo Yue, Stephanie
Mr. Chan Kay Cheung
Mr. Lau Ping Cheung, Kaizer
Mr. Wong Hak Wood, Louis

FINANCE COMMITTEE

Mr. Lee Chun Kong, Freddy *(Chairman)*
Mr. Chan Wai Kan, George
Mr. Chan Kay Cheung
Mr. Lau Ping Cheung, Kaizer
Mr. Wong Hak Wood, Louis

INVESTMENT COMMITTEE

Mr. Lee Chun Kong, Freddy *(Chairman)*
Mr. Chan Kay Cheung
Mr. Lau Ping Cheung, Kaizer
Mr. Wong Hak Wood, Louis

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
China Minsheng Banking Corp., Ltd.
Hang Seng Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

983

WEBSITE

www.socam.com

SOCAM DEVELOPMENT LIMITED
瑞安建業有限公司

(Incorporated in Bermuda with limited liability)

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