瑞安建業有限公司*

SOCAM Development Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

Announcement of results for the year ended 31 December 2020

FINANCIAL HIGHLIGHTS

		Year ended 31 December	
		2020	2019
Turnover			
Company and subsidiaries	*HK$ million*	**5,670**	5,545
Share of joint ventures	*HK$ million*	**9**	22
Total	*HK$ million*	**5,679**	5,567
Profit attributable to shareholders	*HK$ million*	**52**	7
Basic earnings per share	*HK$*	**0.14**	0.02

		At 31 December	
		2020	2019
Total assets	*HK$ billion*	**9.8**	9.4
Net assets	*HK$ billion*	**3.1**	2.8
Net asset value per share	*HK$*	**8.4**	7.5
Net gearing	*%*	**50.8**	54.2

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

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

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

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

INNOVATION IN CONSTRUCTION

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

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

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

PATHS TO PROPERTY PORTFOLIO RECOVERY

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

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

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

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

SUSTAINABILITY

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

THE IMMEDIATE YEARS AHEAD

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

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

The prolonged local social turbulence and COVID-19 pandemic dampened the investment and business sentiment, resulting in a decline in the private sector construction works. We believe the impact of the latter is short-lived, and the enactment of the National Security Law in June last year has become a turning point to restored social stability in Hong Kong. Nevertheless, as the upsurge in the unemployment rate alleviates shortage of construction labour, and building materials cost pressure continues due to weak global demand, competition for the public sector construction projects is poised to intensify.

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

SOME WORDS OF THANKS

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

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

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

Vincent H.S Lo
Chairman

Hong Kong, 26 March 2021

BUSINESS REVIEW

MARKET ENVIRONMENT

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

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

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

FINANCIAL RESULTS

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

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

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

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

KEY CORPORATE AND BUSINESS DEVELOPMENTS

New Issuance and Redemption of Senior Notes

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

Acquisition of Entire Interests in Tianjin Veneto Project

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

Strengthening Business Sustainability

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

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

CONSTRUCTION

Market Review

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

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

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

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

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

Impact of COVID-19 Pandemic

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

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

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

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

Adoption of New Technology and Safety

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

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

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

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

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

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

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

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

Operating Performance

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

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

	2020	**2019**
Profit	HK$456 million	HK$393 million
Turnover	HK$5.0 billion	HK$4.5 billion
Profit margin	9.0%	8.7%

New Contracts Awarded and Workload

	2020	**2019**
New contracts awarded	HK$5.9 billion	HK$11.5 billion
	31 December 2020	**31 December 2019**
Gross value of contracts on hand	HK$23.7 billion	HK$22.1 billion
Gross value of contracts to be completed	HK$16.2 billion	HK$15.1 billion

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

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

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

Shui On Building Contractors Limited

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

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

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

- a 3-year term contract for design and construction of minor building and civil engineering works at CLP's premises, awarded by CLP (estimate HK$300 million);
- a 3-year term contract for distribution cable trenching and laying works in Yuen Long and Tuen Mun awarded by CLP (estimate HK$450 million); and
- a 3-year term contract for transmission cable trenching and laying works in Kowloon and New Territories awarded by CLP (estimate HK$300 million).

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

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

SOBC completed the following construction contracts for the HKHA:

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

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

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

Shui On Construction Company Limited

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

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

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

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

Pat Davie Limited

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

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

The major contracts secured during the year included:

- Fit-out works on The Hong Kong Palace Museum for the West Kowloon Cultural District Authority;
- Wholesale conversion of West Gate Tower in Cheung Sha Wan;
- Façade and windows improvement works on Electric Tower for The Hongkong Electric Co., Ltd.;

- Hotel guestrooms refurbishment and restaurant renovation works on EAST Hong Kong for Swire Properties Management Limited;
- Builder's works for data center conversion project (stage 2) of PCCW Limited (PCCW) in Fotan;
- Asset enhancement works on Tai Wo Plaza of Link Asset Management Limited in Tai Po;
- Fit-out works on Shakespeare Hall in The Londoner Macao; and
- Restaurant and hall refurbishment works on Galaxy Macau.

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

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

PROPERTY

Market Review

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

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

Impact of COVID-19 Pandemic

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

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

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

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

Operating Performance

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

Property Portfolio

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

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

* The GFA shown excludes sold and delivered areas.

The property portfolio of the Group at 31 December 2020 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, with all residential and SOHO units sold after completion in 2017;

(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, with all residential and office units sold after completion in 2010;

(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, with all residential and serviced apartments as well as over 97% office units sold since completion in 2013;

(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, which has been fully operational since 2015; and

(e) Retail shops and SOHO units in Tianjin Veneto Phase 2, which is adjacent to Veneto Phase 1 and construction was completed in 2020.

Property Sales

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

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

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

* VAT inclusive

** Classified as investment property, the sales of which were not regarded as turnover

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

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

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

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

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

Rental Performance

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

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

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

Occupancy Rates of Retail and Office Properties in Mainland China:

		Occupancy Rate	
Project	**Total GFA (sq.m.)**	**31 December 2020**	**31 December 2019**
Chengdu Centropolitan			
Retail	43,000	88%	87%
Office	33,300	90%	99%
Chongqing Creative Concepts Center			
Retail	21,000	82%	89%
Shenyang Tiandi			
Retail	62,200	88%	77%
Tianjin Veneto Phase 1			
Retail	63,600	72%	73%

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

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

Asset Enhancement Initiatives

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

Property Management

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

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

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

OUTLOOK

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

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

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

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

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

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

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

RESULTS

The Board of Directors (the "Board") of SOCAM Development Limited (the "Company" or "SOCAM") presents the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2020** **HK$ million**	2019 HK$ million
Turnover			
The Company and its subsidiaries		**5,670**	5,545
Share of joint ventures		**9**	22
		5,679	5,567
Group turnover	2	**5,670**	5,545
Other income, other gains and losses	3	**244**	51
Cost of properties sold		**(265)**	(703)
Raw materials and consumables used		**(284)**	(271)
Staff costs		**(764)**	(690)
Depreciation and amortisation		**(39)**	(30)
Subcontracting, external labour costs and other expenses		**(3,951)**	(3,524)
Fair value changes on investment properties		**(153)**	44
Dividend income from equity investments		**3**	4
Finance costs		**(198)**	(229)
Gain on disposal of partial interest in a joint venture		**–**	62
Share of profit (loss) of joint ventures		**7**	(3)
Profit before taxation		**270**	256
Taxation	4	**(131)**	(177)
Profit for the year		**139**	79
Attributable to:			
Owners of the Company		**52**	7
Non-controlling interests		**87**	72
		139	79
Earnings per share	5		
Basic		**HK$0.14**	HK$0.02
Diluted		**HK$0.14**	HK$0.02

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2020 HK$ million**	31 December 2019 HK$ million
Non-current Assets			
Investment properties		**4,720**	4,583
Goodwill		**9**	7
Other intangible assets		**3**	6
Right-of-use assets		**29**	15
Property, plant and equipment		**39**	32
Interests in joint ventures		**111**	101
Financial assets at fair value through other comprehensive income		**32**	51
Club memberships		**1**	1
Trade debtors		**7**	–
		4,951	4,796
Current Assets			
Properties held for sale		**807**	393
Properties under development for sale		**180**	687
Debtors, deposits and prepayments	7	**1,562**	1,264
Contract assets		**665**	668
Amounts due from joint ventures		**75**	74
Amounts due from related companies		**12**	43
Tax recoverable		**15**	–
Restricted bank deposits		**382**	109
Bank balances, deposits and cash		**1,101**	1,354
		4,799	4,592
Assets classified as held for sale		**–**	48
		4,799	4,640
Current Liabilities			
Creditors and accrued charges	8	**2,573**	2,414
Contract liabilities		**41**	324
Lease liabilities		**22**	10
Amounts due to joint ventures		**137**	123
Amounts due to related companies		**28**	51
Amounts due to non-controlling shareholders of subsidiaries		**–**	3
Other financial liabilities		**–**	27
Taxation payable		**180**	142
Bank borrowings due within one year		**1,037**	1,019
Senior notes		**–**	1,344
		4,018	5,457
Net Current Assets (Liabilities)		**781**	(817)
Total Assets Less Current Liabilities		**5,732**	3,979
Capital and Reserves			
Share capital		**374**	374
Reserves		**2,758**	2,431
Equity attributable to owners of the Company		**3,132**	2,805
Non-controlling interests		**219**	177
		3,351	2,982
Non-current Liabilities			
Bank borrowings		**778**	620
Senior notes		**1,258**	–
Lease liabilities		**8**	6
Defined benefit liabilities		**16**	58
Deferred tax liabilities		**321**	313
		2,381	997
		5,732	3,979

Notes:

1. Basis of preparation

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

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective for annual periods beginning on or after a date to be determined

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

<u>Impact of COVID-19 pandemic</u>

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

2. Segment information

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

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

1. Construction and building maintenance – construction, interior fit-out, renovation and maintenance of building premises mainly in Hong Kong

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

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

For the year ended 31 December 2020

	Construction and building maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Revenue from property sales	–	433	–	433
Construction contract revenue	5,042	–	–	5,042
Revenue from rendering of services in Hong Kong	–	103	–	103
Revenue from rendering of services in Mainland China	–	24	–	24
Revenue from contracts with customers	5,042	560	–	5,602
Revenue from property leasing	–	68	–	68
Group's revenue from external customers	5,042	628	–	5,670
Share of joint ventures' revenue	1	–	8	9
Total segment revenue	5,043	628	8	5,679
Timing of revenue recognition				
At a point of time	–	433	–	433
Over time	5,042	127	–	5,169
Revenue from contracts with customers	5,042	560	–	5,602
Reportable segment results	465	10	31	506
Unallocated items:				
Other income				5
Finance costs				(183)
Other corporate expenses				(58)
Consolidated profit before taxation				270
Segment results have been arrived at after crediting (charging):				
Cost of properties sold	–	(265)	–	(265)
Depreciation and amortisation	(14)	(11)	–	(25)
Interest income	9	16	–	25
Fair value changes on investment properties	–	(153)	–	(153)
Impairment loss recognised on property inventories	–	(15)	–	(15)
Dividend income from equity investments	–	–	3	3
Finance costs	–	(15)	–	(15)
Share of profit (loss) of joint ventures				
Property development	–	3	–	3
Other operations in Guizhou	–	–	5	5
Venture capital investments	–	–	(1)	(1)
				7

2. Segment information (continued)

For the year ended 31 December 2019

	Construction and building maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Revenue from property sales	–	869	–	869
Construction contract revenue	4,493	–	–	4,493
Revenue from rendering of services in Hong Kong	–	70	–	70
Revenue from rendering of services in Mainland China	–	26	–	26
Revenue from contracts with customers	4,493	965	–	5,458
Revenue from property leasing	–	87	–	87
Group's revenue from external customers	4,493	1,052	–	5,545
Share of joint ventures' revenue	3	–	19	22
Total segment revenue	4,496	1,052	19	5,567
Timing of revenue recognition				
At a point of time	–	869	–	869
Over time	4,493	96	–	4,589
Revenue from contracts with customers	4,493	965	–	5,458
Reportable segment results	405	102	20	527
Unallocated items:				
Other income				2
Finance costs				(209)
Other corporate expenses				(64)
Consolidated profit before taxation				256
Segment results have been arrived at after crediting (charging):				
Cost of properties sold	–	(703)	–	(703)
Depreciation and amortisation	(10)	(9)	–	(19)
Interest income	12	37	4	53
Fair value changes on investment properties	–	44	–	44
Compensation for closure of a cement plant	–	–	34	34
Gain on disposal of partial interest in a joint venture	–	62	–	62
Dividend income from equity investments	–	–	4	4
Finance costs	–	(20)	–	(20)
Share of (loss) profit of joint ventures				
Property development	–	(3)	–	(3)
Other operations in Guizhou	–	–	7	7
Venture capital investments	–	–	(7)	(7)
				(3)

3. Other income, other gains and losses

	2020 HK$ million	2019 HK$ million
Included in the other income, other gains and losses are:		
Other income		
Interest income	**30**	55
Government subsidies (note)	**60**	–
Compensation for closure of a cement plant	**–**	34
Other gains and losses		
Discount on senior notes buy-back	**3**	–
Exchange gain (loss)	**166**	(48)
Impairment loss recognised on property inventories	**(15)**	–
Loss arising on remeasurement of other financial liabilities	**(13)**	–
Expected credit losses recognised on trade debtors and contract assets	**(2)**	–
Gain on disposal of property, plant and equipment	**1**	–

Note:
The government subsidies represent the wage subsidy provided by the HKSAR Government under the employment support scheme to help businesses tide over financial difficulties during the COVID-19 epidemic, which are recognised as income at the time the Group fulfilled the relevant granting criteria.

4. Taxation

	2020 HK$ million	2019 HK$ million
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	**68**	67
Macau complementary tax	**1**	2
The People's Republic of China ("PRC") Enterprise Income Tax	**(10)**	68
PRC Land Appreciation Tax	**83**	57
	142	194
Deferred taxation	**(11)**	(17)
	131	177

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the year.

Macau complementary tax is calculated at 12.0% (2019: 12.0%) on the estimated assessable profits for the year.

PRC Enterprise Income Tax is calculated at 25% (2019: 25%) on the estimated assessable profits for the year.

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

5. Dividends

The Board does not recommend the payment of a final dividend (2019: nil) for the year ended 31 December 2020.

6. Earnings per share

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

	2020	2019
	HK$ million	HK$ million
Profit for the year attributable to owners of the Company:		
Profit for the purpose of basic and diluted earnings per share	**52**	7
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purpose of basic earnings per share	**374**	383
Effect of dilutive potential ordinary shares:		
Share options	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**374**	383

The computation of the diluted earnings per share for the current and prior years does not assume the exercise of the Company's share options, of which the relevant exercise price was higher than the average market price of shares of the Company for the period when those options were outstanding.

7. Debtors, deposits and prepayments

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

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

	31 December 2020 HK$ million	31 December 2019 HK$ million
Trade debtors aged analysis (note a):		
Not yet due or within 90 days	**673**	372
91 days to 180 days	**1**	3
181 days to 360 days	**6**	1
Over 360 days	**3**	1
	683	377
Consideration receivable in respect of disposal of an associate (note b)	**34**	36
Prepayments, deposits and other receivables (note c)	**852**	851
	1,569	1,264
Less: amounts due for settlement after 12 months (note d)	**(7)**	–
	1,562	1,264

Notes:

(a) Included in the trade debtors are receivables of HK$9 million (2019: HK$2 million), which are aged over 180 days, based on the date on which revenue was recognised.

(b) The balances carry interest at 15% per annum.

(c) Included in prepayments, deposits and other receivables at 31 December 2020 are receivables of HK505 million (2019: HK$482 million) due from China Central Properties Limited's former subsidiaries (the "Debtor"), which hold a property interest in the PRC and were disposed of in 2008. The amounts are repayable on demand and out of the total outstanding balance, an amount of HK$143 million (2019: HK$134 million) carries interest at prevailing market rates. A court in the PRC issued notices to attach the aforesaid property interest to cause the Debtor to settle part of the outstanding receivable in the amount of approximately RMB276 million (approximately HK$328 million) (2019: RMB276 million (approximately HK$308 million)) and its related interest. In addition to these receivables, the Company has provided a guarantee in relation to a loan granted to the Debtor (see note 9(a)). Given that there have been continued positive outcomes in the legal disputes in relation to the property interest and recovery of the outstanding receivables, including the successful registration of title deed of the property under the name of the Debtor in May 2015, the Directors of the Company believe that these receivables will be fully settled and the guarantee provided by the Company will be fully released either through public auction of the aforesaid property interest or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

(d) The balances carry interest at 5% per annum.

8. Creditors and accrued charges

The aged analysis of creditors (based on invoice date) of HK$396 million (2019: HK$375 million), which are included in the Group's creditors and accrued charges, is as follows:

	31 December 2020 HK$ million	31 December 2019 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**353**	337
31 days to 90 days	**22**	19
91 days to 180 days	**6**	3
Over 180 days	**15**	16
	396	375
Retention payable	**375**	427
Provision for contract work/construction cost	**1,488**	1,345
Other accruals and payables	**314**	267
	2,573	2,414

9. Contingent liabilities

At 31 December 2020, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

(a) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of China Central Properties Limited ("CCP") at that time (the "Former Subsidiary"). Subsequently, the Former Subsidiary was sold by CCP in 2008, but the Company remained as the guarantor for the bank loan following the disposal (see note 7(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 2021, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$644 million) at 31 December 2020 (2019: RMB542 million (HK$605 million)) and the related interest amounting to RMB614 million (HK$730 million) (2019: RMB547 million (HK$611 million)) are secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

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

(b) The Group is in discussion with the local government authority in the PRC with respect to the delay in construction completion of a development project in Tianjin, by the date as stipulated in the relevant land grant contracts. The relevant local government authority has accepted certain of the reasons identified by the Group in supporting the application for extending the completion date of the project. Based on the respective supplemental land grant contracts, a penalty of 0.02% of the land grant premium per day would be imposed from 29 June 2018 until the completion of the construction. Taking into account the aforesaid extension as accepted by the government authority and the fact that phase 1 of the project has been completed in 2015 and is in operation; and phase 2 of the project has been launched for pre-sale since January 2019, the estimated penalty as at 31 December 2020, if any, will not be more than RMB14 million (2019: RMB8.3 million). The management of the Company will resume the communication with the relevant government authority after the ease of epidemic in the PRC and are of the view that the exposure should be further reduced or fully exempted.

FINANCIAL REVIEW

FINANCIAL RESULTS

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

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

An analysis of the total turnover is as follows:

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

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

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

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

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

Construction

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

Property

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

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

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

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

Net finance costs

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

Foreign exchange gains (losses)

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

ASSETS BASE

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

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

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

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

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

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

EQUITY, FINANCING AND GEARING

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

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

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

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

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

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

TREASURY POLICIES

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

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

EMPLOYEES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

During the year ended 31 December 2020, the Company repurchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), for an aggregate consideration of approximately US$16.15 million, a total of US$16.6 million principal amount of the US$180 million 6.25% senior notes due 2022 issued by the Company in January 2020. The repurchased notes were not cancelled by the Company.

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

CORPORATE GOVERNANCE

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

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2020, including the accounting principles and practices adopted by the Group. It has also considered selected accounting, internal control and financial reporting matters of the Group, in conjunction with the Company's external auditor.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2020, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the deviations explained below.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2020.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the "AGM") of the Company will be held at Concord Room I, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 1 June 2021 at 4:15 p.m. A circular containing the notice of the AGM will be despatched to shareholders together with the Company's 2020 Annual Report on or around Thursday, 29 April 2021. The same will also be published on the websites of the Company and the Stock Exchange.

For ascertaining the shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 27 May 2021 to Tuesday, 1 June 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 26 May 2021.

By Order of the Board
SOCAM Development Limited
Lo Hong Sui, Vincent
Chairman

Hong Kong, 26 March 2021

At the date of this announcement, the Executive Directors of the Company are Mr. Lo Hong Sui, Vincent and Mr. Lee Chun Kong, Freddy; the Non-executive Director of the Company is Ms. Lo Bo Yue, Stephanie; and the Independent Non-executive Directors of the Company are Ms. Li Hoi Lun, Helen, Mr. Chan Kay Cheung and Mr. William Timothy Addison.

** For identification purpose only*

Website: www.socam.com