Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

瑞安建業有限公司*

SOCAM Development Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

INTERIM RESULTS for the six months ended 30 June 2022

FINANCIAL HIGHLIGHTS

		Six months ended 30 June	
		2022	2021
Turnover			
Company and subsidiaries	*HK$ million*	**2,754**	2,397
Share of joint ventures	*HK$ million*	**1**	5
Total	*HK$ million*	**2,755**	2,402
(Loss) profit attributable to shareholders	*HK$ million*	**(60)**	20
Basic (loss) earnings per share	*HK$*	**(0.16)**	0.05

		At 30 June 2022	At 31 December 2021
Total assets	*HK$ billion*	**9.3**	9.6
Net assets	*HK$ billion*	**3.0**	3.3
Net asset value per share	*HK$*	**8.0**	8.7
Net gearing	*%*	**45.9**	46.9

BUSINESS REVIEW

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

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

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

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

MARKET ENVIRONMENT

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

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

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

CORPORATE INITIATIVES AND DEVELOPMENTS

Building of Transitional Housing

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

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

Business Expansion and Synergies

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

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

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

Redemption of Senior Notes

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

CONSTRUCTION

Market Review

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

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

Construction Technology

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

In the purpose-built multi-welfare services complex at Kwu Tung North project, the SOC-SOBC joint venture (Shui On Joint Venture) adopted the MiC technology in full scale. This project saw the completion of the installation of 1,764 freestanding integrated modules in February 2022, and is scheduled for completion towards the year end. The MiC technology has not only minimised the impact on environment, but also greatly shortened the construction period to 28 months, enhanced safety performance and cut down on costs. To expedite housing supply, the HKSAR Government plans to introduce more concessionary measures to encourage the adoption of MiC technology in construction.

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

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

Safety and Recognitions

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

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

Operating Performance

The Group's construction business achieved remarkable results. It reported a profit of HK$302 million for the first six months of 2022, compared with HK$214 million for the corresponding period in 2021. Turnover for the first half of 2022 soared to HK$2.6 billion, from HK$2.2 billion for the same period in 2021. Both building construction and maintenance businesses recorded an upsurge in turnover. Pre-tax profit margin rose to 11.6% for the current interim period, from 9.7% for the prior interim period, largely attributable to the increased contributions from the completed projects.

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

New Contracts Awarded and Workload

	1H 2022	**1H 2021**
New contracts awarded	HK$3.0 billion	HK$2.2 billion
	30 June 2022	**31 December 2021**
Gross value of contracts on hand	HK$24.9 billion	HK$23.8 billion
Gross value of contracts to be completed	HK$15.2 billion	HK$15.0 billion

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

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

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

Shui On Building Contractors Limited and Pacific Extend Limited

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

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

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

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

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

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

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

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

Shui On Construction Company Limited

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

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

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

Pat Davie Limited

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

The major contracts secured during this interim period included:

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

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

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

Smart Facilities Management Services

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

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

PROPERTY

Market Review

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

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

Operating Performance

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

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

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

Property Portfolio

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

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

* The GFA shown excludes sold and delivered areas.

Rental Performance

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

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

Occupancy Rates of Retail and Office Properties in Mainland China:

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

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

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

Asset Enhancement

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

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

Property Sales

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

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

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

Property Management

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

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

OUTLOOK

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

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

The notable deterioration of the global economy will continue to weigh on Hong Kong’s exports performance, and prospective rising interest rates will dampen investment sentiment. As the local epidemic situation generally improves, economic activities are likely to revive in the coming months, with the evolving of local epidemic measures a determining factor. The HK$30 billion phase II consumption vouchers disbursed in batches by the HKSAR Government from August will help boost local consumption. Earlier this month, the HKSAR Government revised the GDP growth forecast for this year downward further to -0.5 – 0.5%, from the 1 – 2% revised in May. As long as Hong Kong actively dovetails itself with the country’s development strategies, the economic outlook for Hong Kong remains promising in the medium to long term.

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

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

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

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

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

RESULTS

The Board of Directors (the "Board") of SOCAM Development Limited (the "Company" or "SOCAM") presents the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2022 HK$ million (unaudited)	31 December 2021 HK$ million (audited)
Non-current Assets			
Investment properties		**4,490**	4,719
Goodwill		**18**	9
Other intangible assets		**26**	–
Right-of-use assets		**60**	24
Property, plant and equipment		**34**	33
Interests in joint ventures		**116**	119
Financial asset at fair value through other comprehensive income		**32**	31
Financial asset at fair value through profit or loss		**2**	2
Deferred tax assets		**10**	–
Club memberships		**1**	1
		4,789	4,938
Current Assets			
Properties held for sale		**703**	757
Properties under development for sale		**177**	185
Debtors, deposits and prepayments	7	**1,253**	1,390
Contract assets		**539**	665
Amounts due from joint ventures		**75**	81
Amounts due from related companies		**35**	47
Tax recoverable		**–**	4
Restricted bank deposits		**372**	388
Bank balances, deposits and cash		**1,340**	1,127
		4,494	4,644
Current Liabilities			
Creditors and accrued charges	8	**1,989**	2,185
Contract liabilities		**47**	21
Lease liabilities		**32**	19
Amounts due to joint ventures		**149**	150
Amounts due to related companies		**42**	42
Amounts due to non-controlling shareholders of subsidiaries		**21**	–
Taxation payable		**216**	206
Bank borrowings due within one year		**1,031**	934
Senior notes		**–**	1,227
		3,527	4,784
Net Current Assets (Liabilities)		**967**	(140)
Total Assets Less Current Liabilities		**5,756**	4,798
Capital and Reserves			
Share capital		**374**	374
Reserves		**2,625**	2,890
Equity attributable to owners of the Company		**2,999**	3,264
Non-controlling interests		**303**	270
		3,302	3,534
Non-current Liabilities			
Bank borrowings		**2,058**	884
Lease liabilities		**29**	6
Defined benefit liabilities		**64**	63
Deferred tax liabilities		**303**	311
		2,454	1,264
		5,756	4,798

Notes:

1. Basis of preparation

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

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

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

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

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

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

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

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

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 and provision of smart facilities management services in Hong Kong and Mainland China

2. Property – property development for sale and property investment in Mainland China and provision of property management services in Hong Kong and Mainland China

3. Other businesses – provision of building information modelling services in Hong Kong and others

2. Segment information (continued)

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

For the six months ended 30 June 2022

	Construction and building maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Revenue from construction contracts	2,607	–	–	2,607
Revenue from property sales	–	26	–	26
Revenue from rendering of services in Hong Kong	1	71	–	72
Revenue from rendering of services in Mainland China	–	13	–	13
Revenue from contracts with customers	2,608	110	–	2,718
Revenue from property leasing	–	36	–	36
Group's revenue from external customers	2,608	146	–	2,754
Inter-segment revenue	–	–	6	6
	2,608	146	6	2,760
Share of joint ventures' revenue	–	–	1	1
Total segment revenue	2,608	146	7	2,761
Timing of revenue recognition				
At a point of time	–	26	–	26
Over time	2,608	84	–	2,692
Revenue from contracts with customers	2,608	110	–	2,718
Reportable segment results	306	(140)	(20)	146
Unallocated items:				
Other income				1
Finance costs				(61)
Other corporate expenses				(31)
Consolidated profit before taxation				55
Segment results have been arrived at after crediting (charging):				
Cost of properties sold	–	(22)	–	(22)
Depreciation and amortisation	(17)	(4)	–	(21)
Interest income	4	7	–	11
Fair value changes on investment properties	–	(21)	–	(21)
Dividend income from an equity investment	–	–	3	3
Finance costs	–	(7)	–	(7)
Share of (loss) profit of joint ventures				
Property development	–	(4)	–	(4)
Other operations	–	–	3	3
				(1)

2. Segment information (continued)

For the six months ended 30 June 2021

	Construction and building maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Revenue from construction contracts	2,207	–	–	2,207
Revenue from property sales	–	68	–	68
Revenue from rendering of services in Hong Kong	–	66	–	66
Revenue from rendering of services in Mainland China	–	14	–	14
Revenue from contracts with customers	2,207	148	–	2,355
Revenue from property leasing	–	42	–	42
Group's revenue from external customers	2,207	190	–	2,397
Share of joint ventures' revenue	1	–	4	5
Total segment revenue	2,208	190	4	2,402
Timing of revenue recognition				
At a point of time	–	68	–	68
Over time	2,207	80	–	2,287
Revenue from contracts with customers	2,207	148	–	2,355
Reportable segment results	217	(45)	26	198
Unallocated items:				
Finance costs				(73)
Other corporate expenses				(31)
Consolidated profit before taxation				94
Segment results have been arrived at after crediting (charging):				
Cost of properties sold	–	(49)	–	(49)
Depreciation and amortisation	(10)	(5)	–	(15)
Interest income	3	9	–	12
Fair value changes on investment properties	–	(68)	–	(68)
Finance costs	–	(8)	–	(8)
Share of profit of joint ventures				
Property development	–	1	–	1
Other operations	–	–	3	3
				4

3. Other income, other gains and losses

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

Note:

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

4. Taxation

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

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

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

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

5. Dividends

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

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

6. (Loss) earnings per share

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

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

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

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

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:

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

Notes:

(a) Included in the trade debtors are receivables of HK$3 million (31 December 2021: HK$3 million), which are aged over 180 days, based on the date on which revenue was recognised.

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

(c) Included in prepayments, deposits and other receivables at 30 June 2022 are receivables of HK$529 million (31 December 2021: HK$528 million) due from China Central Properties Limited's former subsidiary group (the "Debtor"), which hold a property interest in the PRC and were disposed of in 2008. The amounts are repayable on demand and out of the total outstanding balance, an amount of HK$140 million (31 December 2021: HK$147 million) carries interest at prevailing market rates. A court in the PRC issued notices to attach the aforesaid property interest to cause the Debtor to settle part of the onshore outstanding receivable in the amount of approximately RMB318 million (approximately HK$372 million) (31 December 2021: RMB318 million (approximately HK$389 million)) and its related interest. In addition to these receivables, the Company has provided a guarantee in relation to a loan granted to the Debtor (see note 10(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.

8. Creditors and accrued charges

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

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

9. Acquisition of a subsidiary

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

10. Contingent liabilities

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

(a) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of 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 2022, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$634 million) at 30 June 2022 (31 December 2021: RMB542 million (HK$663 million)) and the related interest amounting to RMB714 million (HK$835 million) (31 December 2021: RMB681 million (HK$833 million)) are secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

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

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

FINANCIAL REVIEW

INTERIM RESULTS

The Group's results for the six months ended 30 June 2022 recorded a loss of HK$60 million on a turnover of HK$2,754 million, compared with the profit of HK$20 million and turnover of HK$2,397 million for the corresponding period last year.

An analysis of the total turnover is as follows:

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

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

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

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

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

Construction

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

Property

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

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

Net finance costs

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

Foreign exchange (losses) gains

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

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

ASSETS BASE

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

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

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

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

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

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

EQUITY, FINANCING AND GEARING

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

Net bank and other borrowings of the Group, which represented the total of bank borrowings and senior notes, net of bank balances, deposits and cash, amounted to HK$1,377 million on 30 June 2022, as compared with HK$1,530 million on 31 December 2021.

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

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

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

TREASURY POLICIES

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

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

EMPLOYEES

At 30 June 2022, the number of employees in the Group was approximately 1,934 (31 December 2021: 1,867) in Hong Kong and Macau, and 337 (31 December 2021: 347) in subsidiaries and joint ventures in Mainland China. Remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits, including provident fund schemes and medical insurance, remained at appropriate levels. The Group continued to retain and develop talents through various initiatives such as Trainee and Apprentice Development Programmes for fresh graduates from various disciplines, Functional Executive Program for middle managers, Leadership Development Program for project managers as well as Talent Development Program for selected high potential management staff. Likewise, in Mainland China, staff benefits are commensurate with market levels, with emphasis on building the corporate culture and professional training and development opportunities are provided for local employees. It remains our objective to be regarded as an employer of choice to attract, develop and retain high calibre and competent staff.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's condensed consolidated statement of financial position as of 30 June 2022, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the period then ended as set out in this announcement have been extracted from the Group's unaudited condensed consolidated financial statements for the period, which have been reviewed by the Company's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

CORPORATE GOVERNANCE

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

COMPLIANCE WITH THE MODEL CODE 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 six months ended 30 June 2022.

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

Hong Kong, 29 August 2022

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