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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 2022

FINANCIAL HIGHLIGHTS

		Year ended 31 December	
		2022	2021
Turnover	*HK$ million*	**6,307**	5,267
(Loss) profit attributable to shareholders	*HK$ million*	**(232)**	76
Basic (loss) earnings per share	*HK$*	**(0.62)**	0.20
Final dividend per share	*HK$*	–	0.07

		At 31 December	
		2022	2021
Total assets	*HK$ billion*	**9.1**	9.6
Equity attributable to owners of the Company	*HK$ billion*	**2.6**	3.3
Net asset value per share	*HK$*	**7.0**	8.7
Net gearing	*%*	**60.9**	46.9

CHAIRMAN'S STATEMENT

Dear Shareholders,

The performance of the global economy in 2022 was, at best, disappointing. Any boost to economic sentiment from the lifting of COVID-19 restrictions in the West was countered by soaring energy and commodity prices as a result of the Russia-Ukraine war. Fragile supply chains and climbing interest rates in an inflationary economic climate as well as escalating geopolitical tensions further stifled investor appetite and consumer confidence. With headwinds persisting into 2023, the world economy is poised to slow further.

In China, the implementation of rolling COVID-19 lockdowns up until last December, coupled with a harsh external environment, dragged down the global growth contribution of the world's second largest economy. Its GDP growth eased to 3.0% in 2022, against the 8.1% expansion in 2021. China's reopening in 2023 will not only accelerate its economic recovery, but also help raise global growth.

Hong Kong's GDP shrank by 3.5% in 2022. The HKSAR's lifting of all barriers to entry early this year opened up international business travel and generally started to restore the vitality of Hong Kong. Similarly, the free-flow at our land border will help promote Greater Bay Area alignment.

Our construction business leveraged a strong market in Hong Kong, and delivered promising results. Total turnover of the Group was HK$6.3 billion in 2022, holding up well against the HK$5.3 billion in 2021. However, the HK$232 million foreign exchange loss arising from the 9.3% depreciation of the Renminbi against the Hong Kong dollar during 2022 overwhelmed our operating profit. The Group posted a loss attributable to shareholders of HK$232 million, compared to a HK$76 million profit in 2021.

A STRONG MARKET

SOCAM's construction business in Hong Kong is driven by two inter-dependent factors: current project progress to completion on schedule with profitable returns, and the maintenance of a healthy order book. In both regards, we have had a more than satisfactory year.

The Group's on-site construction activity proceeded on track over the year. The projects have been reinforcing SOCAM's commitment to adopting innovations and technology, together with business digitalisation, for enhanced efficiency, site safety and environmental sustainability.

During the year, SOCAM expanded its order book, with new construction contracts worth a total of HK$7.9 billion secured, amid the severe market competition. These included the contract for the first full Modular Integrated Construction (MiC) public housing project at the Anderson Road Quarry site in East Kowloon, and a transitional housing contract at Kam Tin. We also started two public housing projects in Sheung Shui. These new projects will provide a total of 5,449 public housing units when completed by 2025, of which 1,020 units will be available for the applicants on the waiting list in 2023.

Looking forward, the Group remains confident that the HKSAR Government's commitment to address the acute housing shortage will only become a more urgent community priority. The lengthening average waiting time for public housing flats, which highlights the disparity between housing demand and rate of supply, has given rise to some positive policy initiatives proposed by the SAR's new administration in October last year.

In addition to the transitional housing initiative already forging ahead, the government's plan to build 30,000 light public housing flats in the next five years will raise the short-term housing supply in a move to meet the pressing housing needs. Longer-term, the development of the 'Northern Metropolis' into a new international I&T city will open up broad avenues for SOCAM to play our part in constructing public housing and community facilities, including healthcare facilities, cultural establishments and recreational infrastructure.

INNOVATION AND TECHNOLOGY

Building Information Modeling (BIM) has been an invaluable tool for the construction industry in Hong Kong in the recent years. Its clear advantages have prompted SOCAM to make a significant investment in building and nurturing our BIM teams in addition to the requisite computer hardware and programs.

In 2022, SOCAM confidently added further layers to construction efficiency. Our construction team completed the purpose-built multi-welfare services complex project at Kwu Tung North. This project adopted MiC method in full scale, and witnessed the completion in January this year, with the installation of 1,764 freestanding integrated modules, providing 1,750 residential care places for the elderly. The success of our advanced MiC capabilities paves the way for SOCAM to further enhance our competence in an area that is critical to efficient and sustainable construction in the future.

To this end, we are expanding the functions of our Zhuhai office from design to technical services, and to exploration of the enormous business opportunities in the Greater Bay Area. In parallel, SOCAM is actively looking to recruit young talent and embrace the latest technology in our training programmes.

DRIVING A SUSTAINABLE BUSINESS

Throughout the year, the Group has been engaged in strategic diversification to widen our value chain and develop further areas of expertise geared towards major clients in the public, institutional and corporate sectors. We also feel excited with the HKSAR Government's new scheme on private sector participation in subsidised housing development, given SOCAM's strong expertise and proven track record in a number of similar housing projects in the past.

Diversity, safety, Artificial Intelligence and technical advancement, together with our unwavering commitment to balancing environmental, economic and social imperatives, are key to our core construction strengths and diversification aim. Projecting this aim, we will seek to capitalise on the upcoming construction boom, providing solutions covering the whole building lifecycle, from design to construction, fitting-out, facilities management, renovation and maintenance, and open up further opportunities in which our strong design-and-build capabilities can excel.

The Group has been exploring innovative service solutions for energy saving. In partnership with CLPe Solutions, an AI-controlled cooling system will be installed in the Shui On Centre targeting to save more than 30% on electricity consumption. We are confident that this can be scaled up to an overall expertise in smart facilities management, allowing the Group and its clients to develop businesses sustainably as Mainland China and Hong Kong continue on the pathway to net-zero emissions.

The retail consumer market in the Mainland suffered severe setbacks in 2022 as sporadic COVID-19 lockdowns prevailed across the country over the year. There are already indications that China will pivot towards a more consumption-based economy amid an increasingly complex external environment. Our asset enhancement initiatives and the constantly adjusted tenant mix make the Group's shopping malls appealing to the changing consumer behaviours and preferences under the new normal. Our mall management teams remain alert and responsive to such trends in order to raise customer footfall. This will be challenging, despite that a recovery in the domestic spending is widely expected following China's reopening post COVID-19.

WELL POSITIONED FOR THE FUTURE

It is hard to find reasons for optimism in global economic recovery in the near term. The Board and I share an instinct for caution as we view our options for future business opportunities while enhancing our competitive market position.

In China, the property sector is expected to stabilise in 2023 with more policy support and rise in housing demand when economic activities gradually return to normal after the easing of COVID-19 restrictions. This pillar industry will play a larger role in driving the domestic economic growth.

In Hong Kong, as mentioned above, our investment is in expanding multi-use options in digitalised project-progress, environmental and safety technology, and the talents trained to further unleash such capabilities. These also apply to winning upcoming public sector construction contracts, which mandate the adoption of innovations and technology in construction to enhance speed, quality and efficiency. Strengthening sustainability of our business and operations is critical to SOCAM's growth, and we shall continue channeling our efforts into our core competencies.

A FEW WORDS OF THANKS

This year, I would particularly like to thank all those employees and partners who have pre-emptively allowed us to be strong and confident in our digitalised platforms for construction and project management. We believe 2023 and beyond will present promising opportunities for SOCAM to contribute to Hong Kong's economic and societal development, as visionary urban planning creates space and liveability for the benefit of the community.

As we remove our masks and reveal our smiles, I would like to thank all our staff for their stoic efforts in ensuring our business objectives be achieved in the difficult pandemic years past.

Vincent H.S. Lo
Chairman

Hong Kong, 24 March 2023

BUSINESS REVIEW

2022 was a year full of unprecedented challenges. Despite the headwinds amid COVID-19 resurgences in Mainland China and Hong Kong, SOCAM reported satisfactory operating results for the year, as the Company leverages its core competencies and sustains a strong order book capitalising on a tide of market opportunities in Hong Kong's public sector construction works. SOCAM's construction business made notable progress on its projects, and saw further growth in profit and increase in turnover in 2022.

The pandemic has accelerated changes. Our design and build know-how, technological capabilities and increasing focus on digitalisation have put us ahead of the market trend and prove the Group's ability.

The Group's turnover for 2022 increased considerably by 19.7% to HK$6.3 billion (2021: HK$5.3 billion). Notwithstanding that the Group reported net loss attributable to shareholders of HK$232 million for 2022 (2021: HK$76 million profit), the loss for 2022 was primarily due to the net foreign exchange loss of HK$232 million as a result of the 9.3% depreciation of the Renminbi against the Hong Kong dollar during the year, while net foreign exchange gain of HK$73 million was recognised in 2021.

MARKET ENVIRONMENT

Global economy was on the brink of recession in 2022 as it contended with persistent inflation, rising interest rates and heightened geopolitical risks. China's GDP growth eased to 3.0% year-on-year (YoY) in 2022, against the robust 8.1% expansion in 2021, and was below the Central Government's target of around 5.5%. The Hong Kong economy saw its GDP shrink by 3.5% YoY in real terms in 2022, after the visible recovery at 6.3% in 2021.

China's economy was battered by waves of worst COVID resurgence in 2022. Full or partial lockdowns in a number of cities across the country from time to time under the Central Government's dynamic zero-COVID policy, coupled with stringent mobility restrictions and mass COVID testing, to curb the soaring infections dampened activities dramatically. The Mainland economy however managed to expand economic output and improve development quality steadily. Exports and imports grew fast in a harsh external environment, industrial production went up, investment in fixed assets other than real estate development increased steadily, while employment remained generally stable and consumer prices edged up mildly. Yet, domestic consumption stayed subdued, with stagnant retail sales, highlighting the heavy toll on the consumer sentiment from the widespread lockdowns.

The Hong Kong economy also faced immense pressure. Externally, the weakened global demand and epidemic-induced disruptions to cross-boundary cargo flows weighed significantly on exports. Domestically, the consumption and investment activities were dragged initially by the fifth wave of the local epidemic and then by tightened financial conditions. Nevertheless, government spending was on the rise, while private consumption saw slight improvement in the second half, in tandem with the generally stable epidemic situation, improved labour market conditions and the disbursement of consumption vouchers.

With a firm commitment to increasing the supply of public housing and improving the public health infrastructure to address these pressing issues of the community, the HKSAR Government plans to take forward various infrastructure projects, including the Northern Metropolis Development Strategy, for the long-term development of Hong Kong. Over the next ten years, total construction expenditure in Hong Kong is forecast to reach HK$300 billion per annum. As one of the major construction companies in Hong Kong, supported by our embedded experience in public work construction over the past 50 years, SOCAM is well-placed to embrace the unparalleled business opportunities to the construction industry.

KEY DEVELOPMENTS

Optimising Business Opportunities

As Modular Integrated Construction (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 March 2023, we formed a partnership with Guangzhou Wan You, a well-established manufacturer in Guangzhou, for the supply of MiC units to our construction projects in Hong Kong, as a strategic step forward.

SOCAM has a comprehensive construction value chain, with Shui On Building Contractors Limited (SOBC), Shui On Construction Company Limited (SOC), Pacific Extend Limited (PEL), Pat Davie Limited (PDL), and recently added NetZo Limited (NetZo) of Smart Facilities Management, specialising in respective areas of construction works for major clients in the public, institutional and corporate sectors. During the year, we 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. In addition, we set up a regional office in Fanling to provide support to SOBC's new projects in Sheung Shui, and capture the upcoming promising business prospects arising from the Northern Metropolis Development Strategy, an important initiative for increasing land supply.

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. 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 housing, hospital redevelopment and healthcare projects.

To seize the ample business opportunity in relation to the application of the latest IT particularly Building Information Modelling (BIM) in construction works and tender submission, a new subsidiary named Janus Services Limited (Janus) has been established in the fourth quarter of 2021. Janus will be operated in full swing to serve the anticipated speedy growth of construction business.

Building of Transitional Housing

To optimise housing resources and allow families queuing for public rental housing an opportunity to improve their living environment more quickly, the HKSAR Government supports and facilitates non-government organisations to provide 20,000 transitional housing units in the coming few years.

SOCAM is no stranger to design and build, giving it a distinct competitive edge in the construction of transitional housing units. In July 2022, 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. Adopting steel MiC construction method in full, the project is scheduled for completion in August 2023, providing 1,020 units suitable for 2 to 4-person households in 13 months.

Integrating Sustainability into Our Operations

With a stronger financial position, the Group continues to integrate sustainability into our operations, and push for creating greater positive impact in the areas of Environmental, Social and Governance.

Embracing the "Better Tomorrow" vision, our sustainability blueprint for the next ten years, SOCAM has been effectively integrated our sustainability targets into its business strategies and operations. While safety has always been our top priority, we also adopt green practices in our operations to alleviate climate-related environmental impacts.

Construction activities impact the environment immensely. As a leading construction group in Hong Kong, we are committed to building from long-lasting and renewable resources and through energy-efficient processes. We strive to achieve our targets on mitigating waste and emissions generated by our operations with the implementation of environmental and energy management standards, while promoting the construction of green buildings, aiming to provide a green living environment for our next generation.

Innovation and technology are among the key drivers for the Group to achieve long-term development and growth. We adopt innovative building technology and digitalisation to enhance our performance in safety, quality and efficiency while reducing impact on environment. We witness remarkable achievement in our Kwu Tung North Multi-Welfare Services Complex project, which saw completion of 1,750 residential care units in 28 months with the wide adoption of MiC, BIM and other advanced technologies. It is a pioneer project setting a new benchmark for its kind in Hong Kong.

Talent development is one of our top priorities where we invest significantly in recent years in grooming talents. We have ramped up efforts to address, in particular, the issues of ageing workforce. In a strategy to nurture human capital, we implemented a talent development programme to select high potential talents on both project and general management level as part of the succession planning for the Group.

Further details are provided in the Environmental, Social and Governance Report.

Redemption of Senior Notes and Stronger Financial Position

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.

With the improved profitability and cashflow from our construction business, SOCAM has strengthened its balance sheet, and is now in a stronger financial position to act on opportunities in its core business areas as they arise.

CONSTRUCTION

Market Review

Despite the contraction of the Hong Kong economy in 2022, construction activities expanded further, after a mild rebound in 2021. Total expenditure on building and construction increased in 2022, while the public sector sustained solid growth. Market competition for public works contracts remained severely intensified. The labour market has come under severe pressure since the start of the year, but staged a gradual recovery from May onwards as the local epidemic situation improved. The construction unemployment rate fell to 3.4% in January 2023, from 5.2% in December 2021.

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 October 2022, the HKSAR Government has identified sufficient land to meet the projected demand for 301,000 public housing units for the coming ten-year period (2023-24 to 2032-33) according to the Long Term Housing Strategy. In addition, the Government will make use of government and private land with no development plan in the near future to build about 30,000 Light Public Housing (LPH) units in the next five years. The LPH and transitional housing, together with the traditional public rental housing, will raise the overall public housing production to about 158,000 units in the next five years to meet the pressing housing needs. The Government will also introduce a pilot scheme shortly to encourage participation of private developers in building subsidised sale flats.

At the same time, the HKSAR Government takes forward the HK$200 billion first 10-year hospital development plan (2017-2026) in full steam, while pressing ahead with the planning of the HK$300 billion second 10-year hospital development plan (2027-2036). Taken these two hospital development plans together, the Government aims 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.

The HKSAR Government plans to build the Northern Metropolis into a new international innovation and technology (I&T) city with a total area of 30,000 hectares, incorporating quality life, new economies, and culture and leisure. This holistic metropolis will become a new engine of economic growth for Hong Kong, and allow housing supply to be substantially increased. With its proximity to the hinterland, the development of the Northern Metropolis will facilitate collaboration with Shenzhen and integration into the overall development of the country as well as the Greater Bay Area.

The public sector construction market will continue to thrive, and an anticipated sharp increase of construction contracts is expected in the coming years. The Group's construction business is well poised to capture the tremendous market opportunities ahead for further business growth.

Construction Technology

SOCAM continues to place utmost importance on technological advancement. During the year, we pressed on with the upgrade of our information technology infrastructure and digitalisation, while making wider application of new technologies in our construction projects, to raise operational efficiency, enhance quality and safety and reduce waste and cost. We also set up the Smart Construction Department to explore innovative technologies for adoption in our construction activities.

In the purpose-built multi-welfare services complex at Kwu Tung North project, the SOC-SOBC joint venture (SOJV) adopted the MiC technology in full scale, and integrated BIM and other innovations and technology, including Multi-trade integrated Mechanical, Electrical and Plumbing, Design for Manufacture and Assembly (DfMA), Construction Project Management System and Digitalisation, over the whole project lifecycle. This project saw the completion of the installation of 1,764 freestanding integrated modules in February 2022, and delivery to the Architectural Services Department (ASD) in March 2023. The MiC technology, collaborated with these other innovative tools, have 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.

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 undertook the fitting-out works of this project, which applied BIM technology comprehensively at all stages, from architectural design to construction and operation. In addition, the redevelopment of Kwai Chung Hospital (Phase 2) project of SOJV fulfills BEAM plus GOLD standards with wide adoption of BIM and other construction technologies to optimise the operational efficiency.

Heading towards "Construction 2.0", SOCAM has also been developing its capabilities in DfMA, Prefabricated Prefinished Volumetric Construction and 5G-connected artificial intelligence (AI), as well as the use of robotic machines in the construction processes in recent years. We have strengthened our in-house design and technical capabilities through our Zhuhai office to enhance our competitiveness in tendering for the growing number of design-and-construction jobs in the public sector, and increased investment in strengthening and nurturing the BIM team. Through adopting advanced technologies, we stand to benefit from the elevated environmental impact, production efficiency and site safety, while easing the undue pressure due to the shortage of skillful workers.

The HKSAR Government, in 2022 Policy Address, plans to require suitable public housing projects of the Hong Kong Housing Authority (HKHA) scheduled for completion in the next five years to adopt the MiC technology, but all projects to apply the DfMA approach, in a bid to accelerate housing production. It will also stipulate the use of standardised simple design and the MiC approach to build LPH units expeditiously. SOCAM will, among the early movers, be best equipped to meet the client's requirements.

During the year, SOCAM works with startups, and through the setup of the Shui On Innovation Fund, to carry out innovation initiatives that could enhance operational efficiency and effectiveness of the construction industry.

Safety

Given the nature of our business, safety of our employees is paramount and we continue to make our project sites safe. We widely adopted technologies including AI cameras, face recognition, smart helmet system and safety management system at construction sites in monitoring safety hazards. In 2022, we recorded an accident rate of 3.1 per 1,000 workers.

During the year, our tireless efforts to site safety were recognised:

- the Proactive Safety Contractor Award from the Hong Kong Construction Association (HKCA) in the HKCA Construction Safety Awards 2022; and

- 2021 Environmental Merit Award at the HKCA Hong Kong Construction Environmental Awards organised by the HKCA.

SOBC and SOJV received awards at the 28th Considerate Contractors Site Award Scheme jointly organised by the Development Bureau and the Construction Industry Council, including:

- Gold Award and Bronze Award in the Innovation Award for Safety and Environmental Excellence; and

- Bronze Award in the Considerate Contractor Site Award.

In addition, all the design and construction contracts undertaken by SOJV for the ASD during the year received the Special Award (Worker Wellbeing) under the Green Contractor Award 2021 of the ASD.

The Central Market Revitalisation Project of SOC clinched Silver Award in QS Awards (Innovation) at the HKIS QS Awards 2022 organised by the Hong Kong Institute of Surveyors, in recognition of the project team adopting innovative restoration methods and workflows effectively to create value.

The Kwu Tung North Multi-welfare Services Complex project is an Award Winner at the Autodesk Hong Kong BIM Award 2022, organised by Autodesk Far East Limited. For this project, SOJV also garnered the Best Building Design Award at the 2022 Autodesk Excellence Award, organised by Autodesk, Inc., which recognised our best practices in implementing innovative ideas in building design management. In addition, the project is a Winner of the BIM Projects 2022 at the Celebration of BIM Achievement 2022, co-organised by the Development Bureau and Construction Industry Council.

Operating Performance

The Group's construction business achieved further increase in turnover and profit in 2022. Riding on SOCAM's solid foundation and presence in the market, the Group expanded its order book during the year amid fierce market competition, and continues to go from strength to strength.

The business reported a profit of HK$541 million for 2022, a 5.9% increase over the profit of HK$511 million for 2021. Turnover for 2022 soared 22% to HK$6.0 billion, from HK$4.9 billion for 2021. Pre-tax profit margin eased to 9.0% in 2022, from 10.4% in 2021, as new contracts made relatively less profit contribution during their initial stage of construction works.

	2022	**2021**
Profit before tax	HK$541 million	HK$511 million
Turnover	HK$6.0 billion	HK$4.9 billion
Profit margin	9.0%	10.4%

New Contracts Awarded and Workload

	2022	**2021**
New contracts awarded	HK$7.9 billion	HK$3.8 billion
	31 December 2022	**31 December 2021**
Gross value of contracts on hand	HK$24.4 billion	HK$23.8 billion
Gross value of contracts to be completed	HK$16.2 billion	HK$15.0 billion

Amidst a hyper-competitive tendering environment, the Group has succeeded in expanding its order book. In 2022, the Group secured new construction, maintenance, fit-out and renovation contracts in Hong Kong and Macau worth a total of HK$7.9 billion, compared with the HK$3.8 billion awarded in 2021. More details of the new contracts secured during the year and after the year end will be provided under the respective companies section.

As at 31 December 2022, the gross value of contracts on hand was HK$24.4 billion and the value of outstanding contracts to be completed was HK$16.2 billion, in comparison to HK$23.8 billion and HK$15.0 billion respectively as at 31 December 2021. The strong order book will help ensure healthy growth in turnover, profit and cash flow in the coming few years.

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 section.

Shui On Building Contractors Limited and Pacific Extend Limited

SOBC is the only building contractor admitted to the "Premier League" of the List of Building Contractors (Building – New Works) category of the HKHA from 1 October 2021, allowing the Company to extend its workload capping limit to 21,000 housing units, accredits SOBC's reliability and capability to deliver quality construction services consistently in the HKHA's public housing programme.

SOBC and PEL secured new contracts in a total amount of approximately HK$7.1 billion during 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;

- 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;

- 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;

- 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;

- a 3-year term contract for minor works for New Territories East Cluster, awarded by the Hospital Authority (HK$792 million);

- a 3-year term contract for alterations, additions, maintenance and repair of aided schools, buildings and lands, and other properties in Wong Tai Sin, Kwun Tong and Sai Kung, awarded by the Education Bureau (HK$927 million); and

- a 3-year term contract for alterations, additions, maintenance and repair of aided schools, buildings and lands, and other properties in Tuen Mun and Yuen Long, awarded by the Education Bureau (HK$851 million).

During the year, apart from the new construction and maintenance contracts, SOBC and PEL saw good 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 ASD is responsible for the whole territory of Hong Kong;

- the term contracts for alterations, additions, maintenance and repair works for the Education Bureau;

- the architectural and building works term contract for MTR Corporation Limited;

- the term contracts for design and construction of minor building and civil engineering works, building structure refurbishment works as well as cable trenching and laying works for CLP; and

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

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

- the construction of a public rental housing development at Chai Wan Road for the HKHA, providing 828 housing units and ancillary facilities;

- two term contracts for alterations, additions, maintenance and repair of aided schools, buildings and lands, and other properties in designated districts in Kowloon and New Territories for the Education Bureau;

- the term contract for minor works for addition, alteration and improvement works of buildings and lands and other properties for which the Education Bureau is responsible in Hong Kong;

- the term contract for minor works for Kowloon West Cluster for the Hospital Authority; and

- the term contract for minor works at various premises in Shatin Racecourse for the Hong Kong Jockey Club.

Subsequent to the year-end, SOBC secured a 3-year term contract for the design and construction of fitting-out works to buildings and lands and other properties in Kowloon and New Territories for which the ASD is responsible (HK$570 million).

Shui On Construction Company Limited and Shui On Joint Venture

In the first quarter of 2022, SOC completed Phase 2 of the Central Market Revitalisation Project for the Urban Renewal Authority, and the Central Market Building was fully opened to the public in April.

During the year, SOJV executed well on the several design and construction contracts, including the redevelopment of Kwai Chung Hospital (Phase 2) for the Hospital Authority, and provision of the Drainage Services Department Building at the Cheung Sha Wan Sewage Pumping Station for the ASD, and completed the purpose-built multi-welfare services complex project at Kwu Tung North, providing a total of 1,750 residential care places for the elderly.

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

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

Pat Davie Limited

PDL remains very active in the highly-competitive fit-out and refurbishment markets of both Hong Kong and Macau. In 2022, PDL secured new fit-out and refurbishment contracts with an aggregate value of HK$785 million primarily in the commercial and institutional sectors in Hong Kong, and maintained a healthy order book.

The major contracts secured during the year 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;

- addition and alteration, fitting-out and building services works on various buildings in Hong Kong Science Park;

- reconfiguration of the Airfield Ground Maintenance Building at Hong Kong International Airport;

- revamp works for Departure Kerb of Hong Kong International Airport Terminal 1;

- design, supply and installation of aluminum cladding and grating system at Check-in Islands, and interior fitting out of front of house caring corner, coach lounges, limousine lounges and prayer room at Hong Kong International Airport Terminal 2;

- renovation works on public lavatories at Elements;

- addition and alteration, façade and fitting-out works at Shui On Centre;

- supply and installation of metal cladding and ceiling panels for a proposed office development in Central; and

- rectification works on the corridor pipe shaft for North Tower Tier 1 and 3, and South Tower Tier 1 at MGM Cotai, Macau.

Faced with a challenging business environment, PDL has progressed well with the projects it secured, and managed to deliver them on schedule and within budget. Contracts worth a total of HK$427 million and HK$40 million were completed in Hong Kong and Macau respectively during the year. 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.

After the year-end, PDL was awarded two contracts from the Airport Authority, including the fire suppression systems and building modification works at the Departures Immigration Hall of Terminal 1 (HK$210 million), and the sub-contract for interior fit-out works for L7 Food Hub for Third Runway and Apron Works (HK$60 million).

Smart Facilities Management Services

NetZo, our smart facilities management (SFM) arm, has partnered with CLPe Solutions, 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 the year, NetZo continued to implement sustainability facilities enhancement to the Group's shopping malls in the Mainland, and saw noticeable improvement in operational efficiency and energy saving. It also completed the provision of the smart facilities to the projects of Shui On Land (SOL) in Wuhan and Shanghai, and will take forward the SFM services in other SOL projects in the Mainland. NetZo 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.

The Group entered into the Framework Agreement with Shui On Company Limited, the controlling shareholder of SOCAM, whereby the Group will undertake, through a competitive bidding process, among others, overhaul enhancement works for Shui On Centre, including procurement and installation of smart facilities and energy efficient solutions, subject to a maximum contract sum of HK$372 million within the term of the Framework Agreement from 2022 to 2024. The Framework Agreement received the Company's independent shareholders' approval at the special general meeting held on 1 June 2022.

PROPERTY

Market Review

In Mainland China, retail sales of consumer goods edged down by 0.2% YoY to RMB44.0 trillion in 2022, as domestic consumption was feeble due to the adverse impact of the resurging waves of COVID-19 infections and ongoing strict mobility restrictions across the country. Online retail sales for 2022, however, continued to grow and recorded a 4.0% YoY increase to reach RMB13.8 trillion.

As the pandemic entered its third year, the digital transformation of the Mainland's economy has moved much faster, thus posing particular challenges to the retail and commercial leasing sector. Mainland 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. In response to the rapidly evolving new normal, the Group has accelerated its asset enhancement initiatives in spite of the difficult market conditions, optimised the operations and revitalised the leasing and marketing strategies, solidifying our position as the "Community Mall" by offering unique green and fun elements in Chengdu, Chongqing, Shenyang and Tianjin.

In December, the Central Government decisively loosened its dynamic zero-COVID policy, ended most of the domestic restrictions and started reopening borders in an orderly manner. The unprecedented outbreak of 'novel coronavirus infections' ensued, but the upsurge peaked in January 2023. With people's lives gradually returning to normal, a long-awaited recovery of the domestic spending is expected.

Operating Performance

2022 was an extremely challenging year for our property business, with the most severe COVID-19 waves in three years. The city/district lockdowns and tough mobility curbs across the Mainland seriously hampered consumer sentiment and business activities, and triggered closure of malls and shops for varying periods of time during the year and a drastic decline in customer footfall. The Group saw a decrease in rental income in general, and drop in occupancy rates of its rental properties in Chengdu, Chongqing and Tianjin.

The Group's property business posted a loss of HK$130 million for 2022, compared with the loss of HK$126 million for 2021, which included valuation and impairment losses, net of deferred tax provision, of its property portfolio of HK$105 million and HK$114 million in 2022 and 2021 respectively. Total turnover for 2022 amounted to HK$275 million, comprising sales revenue of HK$34 million, leasing income of HK$99 million and Hong Kong property management services income of HK$142 million, as compared with total turnover of HK$331 million for 2021.

Property Portfolio

As of 31 December 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 397,200 square metres, of which 380,300 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	83,300	159,600
Chongqing	Creative Concepts Center	-	-	21,000	9,900	30,900
Guangzhou	Parc Oasis	-	-	-	4,300	4,300
Nanjing	Scenic Villa	10,900	-	-	7,700	18,600
Shenyang	Shenyang Project Phase I	-	1,600	62,200	25,500	89,300
Tianjin	Veneto Phase 1	-	-	63,600	-	63,600
	Veneto Phase 2	-	1,500	29,400	-	30,900
Total		10,900	36,400	219,200	130,700	397,200

* The GFA shown excludes sold and delivered areas.

The property portfolio of the Group at 31 December 2022 mainly consisted of the following:

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

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

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

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

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

Leasing Performance

The leasing market faced considerable challenges in 2022. Total leasing income amounted to HK$99 million for 2022, down 13% from HK$114 million for 2021, and rental and property management fee concessions totalling HK$3 million were offered to the tenants battered by the local governments' anti-epidemic measures during the year.

Occupancy Rates of Retail and Office Properties in Mainland China:

		Occupancy Rate	
Project	**Total GFA (sq.m.)**	**31 December 2022**	**31 December 2021**
Chengdu Centropolitan			
Retail	43,000	71%	77%
Office	33,300	78%	79%
Chongqing Creative Concepts Center			
Retail	21,000	82%	85%
Shenyang Tiandi			
Retail	62,200	93%	91%
Tianjin Veneto Phase 1			
Retail	63,600	69%	81%

Amidst the tough market conditions, we have maintained strong and lasting ties with our tenants and were able to achieve relatively stable occupancies in most of our shopping malls during the year, yet a few major tenants failed to survive the prolonged business shutdown and 'double reduction' crackdown. Notably, some tenants engaged in education-related business in Tianjin Veneto Phase 1 terminated the leases before expiration, dragging down the occupancy of this outlet mall.

In Chengdu Centropolitan, the negotiations with the replacement cinema operator were significantly delayed by the epidemic, and the lease agreement was signed in August, which raised the mall occupancy by approximately 12.5% when the cinema was open for business in January 2023.

Asset Enhancement

Despite the unfavourable market conditions, we continued to re-energise our malls' retail, dining and entertainment ambience, and enhance the component attractions of the modern, environmentally friendly mall experience in an attempt to meet evolving consumer expectation and trends, and in preparation for the consumption recovery after the pandemic. 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.

Over the last few years, we made good progress with our transformation from local community malls to ones offering greater range of family-friendly, enriched with green and fun elements, such as experience platforms, themed events and recreational spaces for children, and pop-up attractions of live music, dancing and entertainment. Dynamic promotional events and fun activities, whenever permitted under the prevailing anti-epidemic control measures, were organised to raise customer loyalty and boost sales of our tenants. Introducing more in-trend and targeted marketing activities will drive customer footfall that leads to increase in our rental income which, in turn, is an imperative of realising the potential value of our malls.

Property Sales

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

The Group recognised revenue of HK$34 million and loss of HK$9 million from property sales for 2022, as compared with HK$81 million revenue and HK$5 million profit for 2021.

In 2022, the Group completed the sales of the last two villas, with a total GFA of 822 square metres, and 14 car parking spaces at Nanjing Scenic Villa, and recognised sales revenue totalling RMB21 million. Accordingly, all the 344 villas, with a total GFA of 96,301 square metres, were sold.

The resurging waves of COVID-19 continued to dampen badly the investment sentiment for commercial properties. In Phase 2 of Tianjin Veneto, sales of the retail shops and SOHO units almost came to a complete halt during the year. Up to 31 December 2022, out of a total of 486 retail shops and 184 SOHO units, sales of 195 retail shops and 167 SOHO units, with respective total GFA of 7,160 square metres and 11,338 square metres, for a total sales amount of RMB382 million were completed, since the sales launch in stages from 2019.

Property Management

During the 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, and secured the following major contracts:

- a 5-year contract from the HKHA for the provision of property management services to the Ying Tung Estate and Mun Tung Estate in Tung Chung respectively, with total contract sum of HK$160 million; and

- two 3-year contracts and a 2-year contract from the Urban Renewal Authority for the provision of property management services to a residential building in Yaumatei and the rehousing block in Western District and Mongkok respectively, with total contract sum of HK$37 million.

Riding on its expertise and experience in property management and working in collaboration with other business operations of the Group, PEPM recorded HK$142 million turnover for 2022 and contributed stable income and cash flow to the Group.

PEPM received the Excellence Award (Office Building) at the Excellence in Facility Management Award 2022 organised by The Hong Kong Institute of Facility Management, in recognition of its excellence in performance of delivering facility management services to Shui On Centre.

OUTLOOK

The world economy is poised to slow in 2023, as the growth momentum weakened significantly the year before. While potential escalation of the Russia-Ukraine war remains a major threat to global stability, the evolving China-US relation and rising geopolitical tensions will weigh on economic activity. Despite that global inflation shows signs of easing, interest rate hikes and monetary policy tightening continue to exacerbate financial vulnerabilities.

China reopening, starting from last December, paves the way for a broad rebound in economic activities this year, but a strong revival is far from certain. With slower global economic growth amid an increasingly complex external environment, exports are expected to remain subdued. China will continue to boost domestic demand under its ‘dual circulation’ strategy to enhance the resilience of economic development and cope with external risks and challenges, and provide more policy support to attain sustainable economic growth going forward.

We are hopeful that, with China’s post-COVID reopening, domestic demand will become a major driving force for its economic development. The Group’s shopping malls will seek to capitalise on our ongoing asset enhancement initiatives to offer consumers experiential retail experience and immersive excitement, boost customer footfall and improve rental performance. As we push forward with the operational rationalisation of our mall management in Mainland China, our efforts will be channeled into our core competencies and bring in suitable smart facilities and exploit cost saving opportunities in all respects, thus enabling our assets to achieve sustainable growth in value.

The Hong Kong economy is expected to stage a recovery in 2023. The return of economic activities from the epidemic to normalcy should provide a boost to domestic consumption, and the full reopening of Hong Kong-Mainland border will benefit the local retail and tourism sectors. 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.

As one of the major construction companies in Hong Kong, SOCAM is determined to constructing sustainable projects designed to lessen impact on the environment. The HKSAR Government, as stated in 2022 Policy Address, is fully committed to resolving the pressing housing issue of the community, having plans in hand to increase the supply of public housing and expedite the public housing construction works with wider adoption of MiC and other technologies. The expanding public housing construction market and roll-out of the new scheme on private sector participation in subsidised housing development, coupled with the on-going hospital development plans and the Northern Metropolis Development Strategy, will offer tremendous business opportunities to SOCAM in the coming years.

The public sector construction market in Hong Kong has come under increasingly fierce competition. The unemployment rate logged a continuous declining trend from September 2022, with more distinct decreases observed in the construction sector. Addressing the shortage of skilled labour long existed in the industry, SOCAM continues to step up efforts to raise construction productivity further and enhance project delivery through tightening supply-chain management, expand our construction workforce by attracting younger talents, and strengthening talent development. Equally important, we will strive to expand our design-and-build capabilities and, in the wake of the severe accidents in our industry last year, raise our safety standards and extend our safety culture to subcontractors to improve further on our low accident rate. This will be reinforced by our efforts to strengthen safety training at the newly opened Health, Safety and Environment training centre in Ping Che.

The digitalisation journey and the technologies we have introduced in our operations are now well-established and are reaping benefits, particularly in bolstering our tendering credentials and increasing expedited construction quality within a condensed time-frame. Construction technology plays a paramount role in today's highly-competitive market environment, particularly as an interface with government and institutional clients. SOCAM will continue to adopt advanced construction technology to improve profitability and maintain a strong site safety performance.

SOCAM is now well-placed to leverage the exciting advantages of our embedded expertise to pursue growth as a company and sustainable development for the society as a whole. The Group will continue to create the maximum possible shareholder return while we equip ourselves to embrace farsighted approaches to provide excellent services in the entire construction lifecycle, and work together with our stakeholders to create more impactful outcomes for the environment and community.

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 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2022** **HK$ million**	2021 HK$ million
Turnover	2	**6,307**	5,267
Other income, other gains and losses	3	**(173)**	131
Cost of properties sold		**(34)**	(61)
Raw materials and consumables used		**(574)**	(280)
Staff costs		**(847)**	(762)
Depreciation and amortisation		**(59)**	(46)
Subcontracting, external labour costs and other expenses		**(4,373)**	(3,708)
Fair value changes on investment properties		**(121)**	(135)
Finance costs		**(164)**	(161)
Share of (loss) profit of joint ventures		**(2)**	8
(Loss) profit before taxation		**(40)**	253
Taxation	4	**(82)**	(78)
(Loss) profit for the year		**(122)**	175
Attributable to:			
Owners of the Company		**(232)**	76
Non-controlling interests		**110**	99
		(122)	175
(Loss) earnings per share	6		
Basic		**HK$(0.62)**	HK$0.20
Diluted		**HK$(0.62)**	HK$0.20

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2022 HK$ million	2021 HK$ million
(Loss) profit for the year	**(122)**	175
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	**(335)**	118
Reclassification adjustments for exchange differences transferred to profit or loss upon deregistration of subsidiaries	**(4)**	(21)
Items that will not be reclassified to profit or loss:		
Fair value changes of equity investments at fair value through other comprehensive income	**(1)**	(1)
Remeasurement of defined benefit scheme	**(35)**	(40)
Other comprehensive (expense) income for the year	**(375)**	56
Total comprehensive (expense) income for the year	**(497)**	231
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(607)**	132
Non-controlling interests	**110**	99
	(497)	231

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2022 HK$ million	31 December 2021 HK$ million
Non-current Assets			
Investment properties		**4,199**	4,719
Goodwill		**18**	9
Other intangible assets		**23**	–
Right-of-use assets		**55**	24
Property, plant and equipment		**35**	33
Interests in joint ventures		**114**	119
Financial asset at fair value through other comprehensive income		**30**	31
Financial assets at fair value through profit or loss		**6**	2
Deferred tax assets		**2**	–
Club memberships		**1**	1
		4,483	4,938
Current Assets			
Properties held for sale		**664**	757
Properties under development for sale		**169**	185
Debtors, deposits and prepayments	7	**1,474**	1,390
Contract assets		**764**	665
Amounts due from joint ventures		**68**	81
Amounts due from related companies		**18**	47
Financial asset at amortised cost		**6**	–
Tax recoverable		**12**	4
Restricted bank deposits		**365**	388
Bank balances, deposits and cash		**1,086**	1,127
		4,626	4,644
Current Liabilities			
Creditors and accrued charges	8	**2,274**	2,185
Contract liabilities		**35**	21
Lease liabilities		**31**	19
Amounts due to joint ventures		**149**	150
Amounts due to related companies		**44**	42
Taxation payable		**193**	206
Bank borrowings due within one year		**1,624**	934
Senior notes		**–**	1,227
		4,350	4,784
Net Current Assets (Liabilities)		**276**	(140)
Total Assets Less Current Liabilities		**4,759**	4,798
Capital and Reserves			
Share capital		**373**	374
Reserves		**2,256**	2,890
Equity attributable to owners of the Company		**2,629**	3,264
Non-controlling interests		**304**	270
		2,933	3,534
Non-current Liabilities			
Bank borrowings		**1,428**	884
Lease liabilities		**26**	6
Defined benefit liabilities		**100**	63
Deferred tax liabilities		**272**	311
		1,826	1,264
		4,759	4,798

Notes:

1. Basis of preparation

In the current year, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's financial period beginning on 1 January 2022 for the preparation of the consolidated financial statements.

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRSs (Amendments)	Annual Improvement to HKFRSs 2018-2020

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

Amendments to HKAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

Previously, the Group included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs after adoption of these amendments.

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 consolidated financial statements for the year ended 31 December 2022.

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback[3]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
HKAS 1 (Amendments)	Non-current Liabilities with Covenants[3]
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies[1]
HKAS 8 (Amendments)	Definition of Accounting Estimates[1]
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2024

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

1. Basis of preparation (continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*

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

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

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

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

3. Other businesses – venture capital investment and others

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 year ended 31 December 2022

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Revenue from construction contracts	**6,030**	**–**	**–**	**6,030**
Revenue from property sales	**–**	**34**	**–**	**34**
Revenue from rendering of services in Hong Kong	**2**	**142**	**–**	**144**
Revenue from rendering of services in Mainland China	**–**	**25**	**–**	**25**
Revenue from contracts with customers	**6,032**	**201**	**–**	**6,233**
Revenue from property leasing	**–**	**74**	**–**	**74**
Total segment revenue from external customers	**6,032**	**275**	**–**	**6,307**
Timing of revenue recognition				
At a point of time	**–**	**34**	**–**	**34**
Over time	**6,032**	**167**	**–**	**6,199**
Revenue from contracts with customers	**6,032**	**201**	**–**	**6,233**
Reportable segment results	**555**	**(364)**	**(40)**	**151**
Unallocated items:				
Other income				**1**
Finance costs				**(151)**
Other corporate expenses				**(41)**
Consolidated loss before taxation				**(40)**
Segment results have been arrived at after crediting (charging):				
Cost of properties sold	**–**	**(34)**	**–**	**(34)**
Depreciation and amortisation	**(37)**	**(6)**	**–**	**(43)**
Interest income	**14**	**12**	**–**	**26**
Fair value changes on investment properties	**–**	**(121)**	**–**	**(121)**
Impairment loss recognised on property inventories	**–**	**(5)**	**–**	**(5)**
Dividend income from an equity investment	**–**	**–**	**4**	**4**
Finance costs	**–**	**(13)**	**–**	**(13)**
Share of (loss) profit of joint ventures				
Property development	**–**	**(7)**	**–**	**(7)**
Other operations	**–**	**–**	**5**	**5**
				(2)

2. Segment information (continued)

For the year ended 31 December 2021

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Revenue from construction contracts	4,935	–	–	4,935
Revenue from property sales	–	81	–	81
Revenue from rendering of services in Hong Kong	1	136	–	137
Revenue from rendering of services in Mainland China	–	29	–	29
Revenue from contracts with customers	4,936	246	–	5,182
Revenue from property leasing	–	85	–	85
Total segment revenue from external customers	4,936	331	–	5,267
Timing of revenue recognition				
At a point of time	–	81	–	81
Over time	4,936	165	–	5,101
Revenue from contracts with customers	4,936	246	–	5,182
Reportable segment results	518	(93)	36	461
Unallocated items:				
Finance costs				(146)
Other corporate expenses				(62)
Consolidated profit before taxation				253
Segment results have been arrived at after crediting (charging):				
Cost of properties sold	–	(61)	–	(61)
Depreciation and amortisation	(21)	(10)	–	(31)
Interest income	7	18	–	25
Fair value changes on investment properties	–	(135)	–	(135)
Impairment loss recognised on property inventories	–	(4)	–	(4)
Dividend income from an equity investment	–	–	1	1
Finance costs	–	(15)	–	(15)
Share of profit of joint ventures				
Property development	–	3	–	3
Other operations	–	–	5	5
				8

3. Other income, other gains and losses

	2022 HK$ million	2021 HK$ million
Included in the other income, other gains and losses are:		
Other income		
Interest income on financial asset at amortised cost	**1**	–
Other interest income	**26**	25
Government subsidies (note)	**30**	10
Dividend income from an equity investment	**4**	1
Other gains and losses		
Discount on senior notes buy-back	**–**	1
Exchange (loss) gain	**(229)**	91
Fair value loss on financial assets at fair value through profit or loss	**(1)**	–
Impairment loss recognised on property inventories	**(5)**	(4)
Expected credit losses recognised on trade debtors, contract assets and other receivables	**(18)**	(4)

Note:

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

4. Taxation

	2022 HK$ million	2021 HK$ million
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	**92**	85
Macau Complementary Tax	**1**	–
The People's Republic of China ("PRC") Enterprise Income Tax	**1**	3
PRC Land Appreciation Tax	**4**	8
	98	96
Deferred taxation	**(16)**	(18)
	82	78

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

Macau Complementary Tax is calculated at 12.0% (2021: 12.0%) on the estimated assessable profits for the year.

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

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

5. Dividend

The Board does not recommend the payment of a final dividend (2021: HK$0.07 per share) for the year ended 31 December 2022.

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:

	2022	2021
	HK$ million	HK$ million
(Loss) profit for the year attributable to owners of the Company:		
(Loss) profit for the purpose of basic and diluted (loss) earnings per share	**(232)**	76
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**374**	374

The Company did not have any dilutive potential ordinary shares outstanding for the years ended 31 December 2022 and 2021.

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 2022 HK$ million	31 December 2021 HK$ million
Trade debtors aged analysis (note a):		
Not yet due or within 90 days	**462**	438
91 days to 180 days	**10**	2
181 days to 360 days	**1**	2
Over 360 days	**2**	1
	475	443
Prepayments and deposits	**265**	186
Consideration receivable in respect of disposal of an associate (note b)	**29**	32
Other receivables (note c)	**727**	733
Less: Allowance for credit losses	**(22)**	(4)
	1,474	1,390

Notes:

(a) Included in the trade debtors are receivables of HK$3 million (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 other receivables at 31 December 2022 are receivables of HK$529 million (2021: HK$528 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$134 million (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 outstanding receivable in the amount of approximately RMB318 million (approximately HK$356 million) (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$649 million (2021: HK$414 million), which are included in the Group's creditors and accrued charges, is as follows:

	31 December 2022 HK$ million	31 December 2021 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**552**	372
31 days to 90 days	**77**	20
91 days to 180 days	**6**	9
Over 180 days	**14**	13
	649	414
Retention payable	**262**	285
Provision for contract work/construction cost	**1,124**	1,224
Other accruals and payables	**239**	262
	2,274	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 31 December 2022, 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 2023, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$607 million) at 31 December 2022 (2021: RMB542 million (HK$663 million)) and the related interest amounting to RMB748 million (HK$837 million) (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 demanding fulfilment of the Company’s obligations under the Guarantee by the New Lender and the collateral of the loan. Accordingly, no value has been recognised in the consolidated statement of financial position.

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

FINANCIAL RESULTS

The Group's results for the year ended 31 December 2022 recorded a loss attributable to shareholders of HK$232 million on a turnover of HK$6,307 million, comparing with the profit of HK$76 million and turnover of HK$5,267 million for 2021. The loss for 2022 was largely attributable to the 9.3% depreciation of the Renminbi against the Hong Kong dollar during the year, which resulted in the recognition of foreign exchange loss of HK$232 million.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2022 (2021: HK$0.07 per share).

An analysis of the total turnover is as follows:

	Year ended 31 December 2022 HK$ million	Year ended 31 December 2021 HK$ million
Turnover		
Construction and maintenance	**6,032**	4,936
Mainland property	**133**	195
Hong Kong property management	**142**	136
Total	**6,307**	5,267

Turnover from the construction and maintenance works reported a 22% increase for the year ended 31 December 2022. 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, contributed nearly HK$2 billion turnover for 2022. Whilst revenue from the interior fitting-out contracts was tapered amidst the slowdown of the fit-out and refurbishment markets in both Hong Kong and Macau, this was offset by the increase in turnover from maintenance contracts. Revenue from the Mainland property business decreased to HK$133 million since much lower 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 and the reduced leasing income achieved amid the resurgence of COVID throughout 2022 in Mainland China.

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

	Year ended 31 December 2022 HK$ million	Year ended 31 December 2021 HK$ million
Construction	**541**	511
Property		
(Loss) profit from property sales	**(9)**	5
Net rental income	**10**	26
Fair value changes on investment properties, net of deferred tax provision	**(100)**	(110)
Impairment loss on property inventories	**(5)**	(4)
Hong Kong property management	**18**	17
Net operating expenses	**(44)**	(60)
	(130)	(126)
Net finance costs		
- Senior notes	**(5)**	(87)
- Bank and other borrowings	**(133)**	(54)
Corporate overheads and others	**(64)**	(60)
Release of cumulative exchange gains upon deregistration of foreign subsidiaries	**4**	21
Net foreign exchange (losses) gains	**(232)**	73
Taxation	**(103)**	(103)
Non-controlling interests	**(110)**	(99)
Total	**(232)**	76

Construction

The construction business posted higher profit on an increased turnover. Average net profit before tax margin was 9.0% of turnover, which was comparable to the 10.4% in the previous year.

Property

The property division in Mainland China was negatively affected by the new waves of COVID-19 outbreak in 2022 and prevailed lockdowns across the country over the year. Rental income of the four shopping malls and the office tower of Chengdu Centropolitan decreased in the current year 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 leases with certain of our tenants, which failed to survive the prolonged shutdown and ‘double reduction’ crackdown. Whilst rental income was affected, the Group has offered various rental concessions to certain of our tenants to assist their operations. The occupancies of the shopping malls remained relatively stable.

At 31 December 2022, the Group's investment properties were valued at HK$4,199 million. Excluding the effect on the depreciation of the Renminbi against the Hong Kong dollar in the current year, there was a 2.7% 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

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. However, the surge in HIBOR since June this year has reduced the anticipated saving and total net finance costs remained at similar level of last year.

Net foreign exchange (losses) gains

During 2022, the Renminbi registered an unprecedented 9.3% depreciation against the Hong Kong dollar. This resulted in significant net foreign exchange losses totalling HK$567 million recorded for the current year, of which HK$232 million and HK$335 million were recognised in the consolidated statement of profit or loss and directly in equity respectively, comparing with the foreign exchange gains of HK$73 million and HK$118 million respectively for the previous year.

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 years, pursuant to prevailing accounting standards.

ASSETS BASE

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

	31 December 2022 HK$ million	31 December 2021 HK$ million
Total assets	9,109	9,582
Equity attributable to owners of the Company	2,629	3,264
	HK$	HK$
Net asset value per share	7.0	8.7

Total assets of the Group decreased to HK$9.1 billion at 31 December 2022, from HK$9.6 billion at 31 December 2021. The decrease in both equity attributable to owners of the Company and net asset value per share was principally attributable to the 9.3% depreciation of Renminbi against the Hong Kong dollar during the current year, which caused a HK$567 million reduction in equity or a HK$1.5 reduction in net asset value per share.

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

	31 December 2022 HK$ million	%	31 December 2021 HK$ million	%
Construction	2,466	27	2,145	22
Property	6,012	66	6,830	72
Corporate and others	631	7	607	6
Total	9,109	100	9,582	100

Decrease in property assets at 31 December 2022 was mainly due to the exchange retranslation adjustment on depreciation of Renminbi and the fair value adjustment of our investment property portfolio in Mainland China.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company decreased to HK$2,629 million on 31 December 2022, from HK$3,264 million on 31 December 2021, 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$1,601 million on 31 December 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:

	31 December 2022 HK$ million	31 December 2021 HK$ million
Bank borrowings repayable:		
Within one year	**1,624**	934
After one year but within two years	**38**	762
After two years but within five years	**1,390**	81
After five years	**-**	41
Total bank borrowings	**3,052**	1,818
US$ senior notes	**-**	1,227
Total bank and other borrowings	**3,052**	3,045
Bank balances, deposits and cash	**(1,451)**	(1,515)
Net bank and other borrowings	**1,601**	1,530

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$22.6 million senior notes, at a slight discount to the face value, from the open market. At 31 December 2021, the outstanding amount of the senior notes was reduced to US$157.4 million and was then refinanced by a 3-year term bank loan facility of HK$1.3 billion at a lower cost upon its maturity in January 2022.

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, increased to 60.9% on 31 December 2022, from 46.9% on 31 December 2021, which was mainly 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 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 2022, the number of employees in the Group was approximately 2,013 (31 December 2021: 1,867) in Hong Kong and Macau, and 286 (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.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed below, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

During the year, the Company bought back a total of 944,000 shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for an aggregate consideration of approximately HK$1.18 million. All the bought-back shares were subsequently cancelled. Particulars of the share buy-backs are as follows:

Month	Number of shares bought back	Purchase price per share		Approximate amount of consideration
		Highest HK$	Lowest HK$	HK$ million
July	476,000	1.28	1.25	0.61
September	294,000	1.29	1.19	0.37
October	118,000	1.18	1.08	0.14
November	56,000	1.09	1.05	0.06
Total	944,000			1.18

In addition, the US$180 million 6.25% senior notes issued by the Company in 2020 matured on 23 January 2022. The Company fully repaid the US$157.4 million outstanding principal amount of the senior notes together with the accrued interest 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 audited consolidated financial statements for the year ended 31 December 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 year ended 31 December 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 Rules Governing the Listing of Securities on the Stock Exchange (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, amongst others, the responsibilities to (i) determine or make recommendations to the Board on the remuneration packages of individual Executive Director and senior management; (ii) review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment; and (iii) review and approve the remuneration proposals for management with reference to the Board's corporate goals and objectives. The Remuneration Committee has reviewed its functions and considered that these responsibilities in relation to the remuneration and compensation of management should be vested in the Executive Directors who have a better understanding of the level of expertise, experience and performance expected of the management in the daily business operations of the Group. The Remuneration Committee would continue to be primarily responsible for the review and determination of the remuneration package of individual Executive Director. After due consideration, the Board adopted the revised terms of reference of the Remuneration Committee with the said responsibilities in relation to the remuneration and compensation of management excluded from its scope of duties, which deviates from code provision E.1.2. Notwithstanding such deviation, the Remuneration Committee is still responsible for reviewing, approving and making recommendations to the Board on the guiding principles applicable to the determination of the remuneration packages of senior management.

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

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 2022.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the "AGM") of the Company will be held on Wednesday, 31 May 2023 at 4:00 p.m. A circular containing the notice of the AGM will be despatched to shareholders together with the Company's 2022 Annual Report on or around Thursday, 27 April 2023. 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, 25 May 2023 to Wednesday, 31 May 2023, 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 24 May 2023.

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

Hong Kong, 24 March 2023

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