瑞安建業
SOCAM DEVELOPMENT

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 2023

FINANCIAL HIGHLIGHTS

		Year ended 31 December	
		2023	2022
Turnover	*HK$ million*	**8,336**	6,307
Loss attributable to shareholders	*HK$ million*	**(155)**	(232)
Basic loss per share	*HK$*	**(0.41)**	(0.62)

		At 31 December	
		2023	2022
Total assets	*HK$ billion*	**9.2**	9.1
Equity attributable to owners of the Company	*HK$ billion*	**2.4**	2.6
Net asset value per share	*HK$*	**6.4**	7.0
Net gearing	*%*	**88.9**	60.9

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

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

CAPTURING STABLE INCOME

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

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

BOOMING CONSTRUCTION INDUSTRY

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

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

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

INNOVATION

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

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

SAFETY

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

ADDRESSING TOMORROW'S NEEDS

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

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

ALLIANCES TO BOLSTER BUSINESS OPPORTUNITIES

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

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

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

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

PROPERTY ASSET ENHANCEMENT

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

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

PROSPECTS LOOKING FORWARD

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

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

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

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

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

SOME WORDS OF THANKS

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

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

Vincent H.S. Lo
Chairman

Hong Kong, 27 March 2024

BUSINESS REVIEW

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

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

MARKET ENVIRONMENT

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

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

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

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

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

CORPORATE INITIATIVES AND DEVELOPMENTS

Optimising Business Opportunities

Modular Integrated Construction (MiC) methods are poised to gain wider adoption in the public and private sector construction. SOCAM has been looking for suitable manufacturers in the Greater Bay Area (GBA) for business co-operation to improve quality and safety, and reduce cost. In March 2023, we formed a partnership with Guangzhou Wan You, a well-established manufacturer in Guangzhou, for the supply of MiC modules to our construction projects in Hong Kong, as a strategic step forward.

The Group has also identified a number of partnerships as part of our strategy. In April 2023, the Group invested in Carnot Innovations (Carnot), which has developed, among others, an AI-powered solution that will optimise energy consumption of chiller systems in buildings and facilities. NetZo Limited (NetZo), our smart facilities management arm, will partner with Carnot and other suitable energy saving solutions providers to expand the market reach.

SOCAM has a comprehensive construction value chain, with Shui On Building Contractors Limited (SOBC), Shui On Construction Company Limited (SOC), Pacific Extend Limited (PEL), Pat Davie Limited (PDL) and NetZo, specialising in respective areas of construction works throughout the building lifecycle. The Group continues to identify attractive business opportunities to further extend our market coverage. PEL is applying to the Urban Renewal Authority for registration under the Integrated Building Rehabilitation Assistance Scheme for providing building maintenance services to aged and dilapidated buildings, in the wake of the surging number of incidents involving the spalling of concrete from aged building facades recently.

Building of Light Public Housing

As a strategic initiative to fill the short-term gap of the public housing supply, the HKSAR Government plans to make use of government and private land with no development plan in the near future to build about 30,000 Light Public Housing (LPH) units in the next five years. Standardised simple design and the MiC methods will be adopted to construct LPH units expeditiously.

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

CONSTRUCTION

Market Review

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

The housing and healthcare issues in Hong Kong are among the top concerns of the community. As stated in the Chief Executive's Policy Address in October 2023, the HKSAR Government has identified sufficient land for developing about 410,000 public housing units, which exceed the projected demand for 308,000 units for the next 10 years, from 2024/25 to 2033/34. In addition to the transitional housing, about 30,000 LPH units will be completed by 2027/28 to help alleviate the severe shortage of supply in the coming five years. The Private Subsidised Sale Flat − Pilot Scheme has also been launched, with release of tenders planned from 2023/24.

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

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

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

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

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

Adoption of Construction Technology

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

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

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

Safety

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

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

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

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

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

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

Operating Performance

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

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

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

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

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

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

Shui On Building Contractors Limited and Pacific Extend Limited

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

SOBC and PEL secured new construction and maintenance contracts in a total amount of HK$1.5 billion in 2023, which included:

- a 3-year term contract for the design and construction of fitting-out works to buildings and lands and other properties in Kowloon and New Territories for which the ASD is responsible (HK$570 million);
- a 4-year term contract for the design and construction of minor works to government and subvented properties on Hong Kong Island, Lantau Island and Outlying Islands (South) for which the ASD is responsible (HK$811 million); and
- refurbishment works on the Document Centre and external walls of various buildings, and footbridge replacement at the Black Point Power Station of CLP Power Hong Kong Limited (CLP) (HK$47 million).

During the year, apart from the new contracts, SOBC and PEL continued to make progress on their existing contracts, including:

- the construction of public housing developments at Anderson Road Quarry Sites RS-1, R2-6 and R2-7 for the HKHA;
- the construction of public housing developments at Sheung Shui Areas 4 and 30 Site 1 Phase 1 and Site 2 Phase 2 for the HKHA;
- the term contract for minor works for New Territories East Cluster for the Hospital Authority;
- the term contract for alterations, additions, maintenance and repair of aided schools, buildings and lands, and other properties in various districts for the Education Bureau;
- the term contracts for maintenance, improvement and vacant flat refurbishment works for public housing estates in various districts for the HKHA;
- the term contract for minor works on buildings and lands and other properties for which the ASD is responsible for the whole territory of Hong Kong;
- the architectural and building works term contract for MTR Corporation Limited;
- the term contracts for design and construction of minor building and civil engineering works, building structure refurbishment works as well as cable trenching and laying works for CLP; and
- the term contract for maintenance, improvement and refurbishment works for buildings at the Hong Kong International Airport for the Airport Authority.

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

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

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

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

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

Shui On Construction Company Limited and Shui On Joint Venture

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

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

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

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

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

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

Pat Davie Limited

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

The major contracts secured by PDL during the year included:

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

- interior fit-out works for L7 Food Hub for Third Runway and Apron Works at Hong Kong International Airport;

- interior fitting out of lift lobbies, clubhouse, swimming pool and changing room of the residential and commercial development at No. 53 Kwun Tong Road;

- addition and alteration, fitting-out and building services works on the Atrium Link, Clubhouse and toilets in various buildings in Hong Kong Science Park;

- boarding gate transformation works at Midfield Concourse in Hong Kong International Airport Terminal 1;

- toilet enhancement works at the Elements for MTR Corporation Limited;

- refurbishment works on mass gaming floor and Covent Garden in The Londoner, Macau;

- renovation works on the atrium, shopping arcade and designated areas in One Central Macau for Hongkong Land Limited and Shun Tak Holdings Limited; and

- fitting-out works on VIP West Pavilion South for Galaxy Resort & Casino in Cotai City, Macau.

Amidst a challenging business environment, PDL performed well, and managed to deliver projects on schedule and within budget. Contracts worth a total of HK$972 million were completed during the year. Notable ones included fit-out works on The Wai, reconfiguration of the Airfield Ground Maintenance Building at Hong Kong International Airport, façade and windows improvement works on Electric Tower, and alteration and addition works at Hongkong Electric Centre in Hong Kong; and fitting-out works on VIP West Pavilion South for Galaxy Resort & Casino in Macau.

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

Smart Facilities Management (SFM) Services

During the year, NetZo completed the implementation of facilities enhancements to the Heating, Ventilation and Air Conditioning (HVAC) systems of the Group's shopping malls in Chengdu, Chongqing and Shenyang. Such enhancements resulted in noticeable improvement in the operational efficiency of the systems and achieved preliminary energy saving of approximately 20%.

In March 2023, SOCAM and Shui On Land (SOL) entered into the Framework Agreement, whereby the Group will undertake smart facility enhancement works for the property developments of the SOL Group in the Mainland for the period from 31 March 2023 to 31 December 2028, for service fees aggregating up to RMB72 million. The enhancement works include, among others, installation of smart facilities and equipment to improve the efficiency of energy consumption and facility management, and provision of energy saving services and associated after-sales and maintenance services. The Group completed upgrade of the lighting systems with energy-efficient solutions, conducted facilities enhancements to the HVAC systems, and commissioned AI-assisted waste discharge management system and AI video analytics solutions for the projects of SOL in Shanghai, Wuhan and Foshan.

This business initiative will not only provide stable income to the Group, but will also help the Group establish its track record in SFM business in the Mainland to capture the upcoming market opportunities in this new growth area.

PROPERTY

Market Review

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

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

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

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

Operating Performance

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

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

Property Portfolio

As of 31 December 2023, the Group owned six projects in the Mainland, comprising a total gross floor area (GFA) of 396,100 square metres, of which 379,200 square metres GFA were completed properties, and 16,900 square metres GFA of the Nanjing Scenic Villa project are currently under development.

Location	**Project**	**Villa (sq. m.)**	**SOHO/ Office (sq. m.)**	**Retail (sq. m.)**	**Carparks & Others (sq. m.)**	**Total GFA* (sq. m.)**
Chengdu	Centropolitan	-	33,300	43,000	82,900	159,200
Chongqing	Creative Concepts Center	-	-	21,000	9,900	30,900
Guangzhou	Parc Oasis	-	-	-	4,300	4,300
Nanjing	Scenic Villa	10,900	-	-	7,400	18,300
Shenyang	Shenyang Project Phase I	-	1,600	62,200	25,500	89,300
Tianjin	Veneto Phase 1	-	-	63,600	-	63,600
	Veneto Phase 2	-	1,400	29,100	-	30,500
Total		10,900	36,300	218,900	130,000	396,100

* The GFA shown excludes sold and delivered areas.

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

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

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

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

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

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

Leasing Performance

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

Occupancy Rates of Retail and Office Properties in Mainland China:

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

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

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

Asset Enhancement

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

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

Property Sales

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

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

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

Property Management

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

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

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

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

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

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

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

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

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

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

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

OUTLOOK

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

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

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

Hong Kong is expected to face a lot of volatility this year. Private consumption and inbound tourism will remain the major drivers of its economy in the short term. While the HKSAR Government's measures to promote mega event economy will help boost visitor arrivals, the domestic cost pressure, decreasing asset values, weak investor confidence and consumption sentiment, and talent shortage will make it difficult for the economy to recover strongly. As long as Hong Kong actively dovetails itself with the country's development strategies, and strengthens further the infrastructure and commercial linkages within the GBA, the economic outlook for Hong Kong remains positive in the medium to long term.

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

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

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

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

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

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 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2023** **HK$ million**	2022 HK$ million
Turnover	2	**8,336**	6,307
Other income, other gains and losses	3	**35**	(173)
Cost of properties sold		**(8)**	(34)
Raw materials and consumables used		**(901)**	(574)
Staff costs		**(931)**	(847)
Depreciation and amortisation		**(62)**	(59)
Subcontracting, external labour costs and other expenses		**(6,099)**	(4,373)
Fair value changes on investment properties		**(148)**	(121)
Finance costs		**(237)**	(164)
Share of profit (loss) of joint ventures and an associate		**2**	(2)
Loss before taxation		**(13)**	(40)
Taxation	4	**(62)**	(82)
Loss for the year		**(75)**	(122)
Attributable to:			
Owners of the Company		**(155)**	(232)
Non-controlling interests		**80**	110
		(75)	(122)
Loss per share	6		
Basic		**HK$(0.41)**	HK$(0.62)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2023 HK$ million**	31 December 2022 HK$ million
Non-current Assets			
Investment properties		**3,996**	4,199
Goodwill		**18**	18
Other intangible assets		**16**	23
Right-of-use assets		**48**	55
Property, plant and equipment		**29**	35
Interests in joint ventures		**85**	114
Interest in an associate		**23**	–
Financial asset at fair value through other comprehensive income		**22**	30
Financial assets at fair value through profit or loss		**12**	6
Deferred tax assets		**–**	2
Club memberships		**1**	1
		4,250	4,483
Current Assets			
Properties held for sale		**664**	664
Properties under development for sale		**167**	169
Debtors, deposits and prepayments	7	**1,613**	1,474
Contract assets		**1,334**	764
Amounts due from joint ventures		**75**	68
Amounts due from related companies		**42**	18
Financial asset at amortised cost		**7**	6
Tax recoverable		**14**	12
Restricted bank deposits		**347**	365
Bank balances, deposits and cash		**653**	1,086
		4,916	4,626
Current Liabilities			
Creditors and accrued charges	8	**2,661**	2,274
Contract liabilities		**43**	35
Lease liabilities		**28**	31
Amounts due to joint ventures		**114**	149
Amounts due to related companies		**44**	44
Taxation payable		**167**	193
Bank borrowings due within one year		**1,618**	1,624
		4,675	4,350
Net Current Assets		**241**	276
Total Assets Less Current Liabilities		**4,491**	4,759
Capital and Reserves			
Share capital		**373**	373
Reserves		**1,998**	2,256
Equity attributable to owners of the Company		**2,371**	2,629
Non-controlling interests		**268**	304
		2,639	2,933
Non-current Liabilities			
Bank borrowings		**1,490**	1,428
Lease liabilities		**22**	26
Defined benefit liabilities		**87**	100
Deferred tax liabilities		**253**	272
		1,852	1,826
		4,491	4,759

Notes:

1. Basis of preparation

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements.

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

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

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

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

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

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

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

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

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

[1] Effective for annual periods beginning on or after a date to be determined
[2] Effective for annual periods beginning on or after 1 January 2024
[3] Effective for annual periods beginning on or after 1 January 2025

1. Basis of preparation (continued)

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

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

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

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

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 2023

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Revenue from construction contracts	**8,070**	**–**	**–**	**8,070**
Revenue from property sales	**–**	**12**	**–**	**12**
Revenue from rendering of services in Hong Kong	**2**	**150**	**–**	**152**
Revenue from rendering of services in Mainland China	**–**	**24**	**–**	**24**
Revenue from contracts with customers	**8,072**	**186**	**–**	**8,258**
Revenue from property leasing	**–**	**78**	**–**	**78**
Total segment revenue from external customers	**8,072**	**264**	**–**	**8,336**
Timing of revenue recognition				
At a point of time	**–**	**12**	**–**	**12**
Over time	**8,072**	**174**	**–**	**8,246**
Revenue from contracts with customers	**8,072**	**186**	**–**	**8,258**
Reportable segment results	**427**	**(167)**	**(5)**	**255**
Unallocated items:				
Other income				**3**
Finance costs				**(226)**
Other corporate expenses				**(45)**
Consolidated loss before taxation				**(13)**
Segment results have been arrived at after crediting (charging):				
Cost of properties sold	**–**	**(8)**	**–**	**(8)**
Depreciation and amortisation	**(40)**	**(6)**	**–**	**(46)**
Interest income	**14**	**8**	**–**	**22**
Fair value changes on investment properties	**–**	**(148)**	**–**	**(148)**
Dividend income from an equity investment	**–**	**–**	**3**	**3**
Finance costs	**–**	**(11)**	**–**	**(11)**
Share of (loss) profit of joint ventures and an associate	**(1)**	**(2)**	**5**	**2**

2. Segment information (continued)

For the year ended 31 December 2022

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Revenue from construction contracts	6,030	–	–	6,030
Revenue from property sales	–	34	–	34
Revenue from rendering of services in Hong Kong	2	142	–	144
Revenue from rendering of services in Mainland China	–	25	–	25
Revenue from contracts with customers	6,032	201	–	6,233
Revenue from property leasing	–	74	–	74
Total segment revenue from external customers	6,032	275	–	6,307
Timing of revenue recognition				
At a point of time	–	34	–	34
Over time	6,032	167	–	6,199
Revenue from contracts with customers	6,032	201	–	6,233
Reportable segment results	555	(364)	(40)	151
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	–	(7)	5	(2)

3. Other income, other gains and losses

	2023 **HK$ million**	2022 HK$ million
Included in the other income, other gains and losses are:		
Other income		
Interest income on financial asset at amortised cost	**3**	1
Other interest income	**22**	26
Government subsidies (note)	**1**	30
Dividend income from an equity investment	**3**	4
Other gains and losses		
Exchange loss	**(3)**	(229)
Fair value loss on financial assets at fair value through profit or loss	**–**	(1)
Impairment loss recognised on property inventories	**–**	(5)
Gain on disposal of property, plant and equipment	**1**	–
Expected credit losses recognised on trade debtors, contract assets and other receivables	**(4)**	(18)

Note:

The government subsidies 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

	2023 **HK$ million**	2022 HK$ million
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	**73**	92
Macau Complementary Tax	**1**	1
The People's Republic of China ("PRC") Enterprise Income Tax	**–**	1
PRC Land Appreciation Tax	**1**	4
	75	98
Deferred taxation	**(13)**	(16)
	62	82

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

Macau Complementary Tax is calculated at 12.0% (2022: 12.0%) on the estimated assessable profits for the year.

PRC Enterprise Income Tax is calculated at 25% (2022: 25%) on the estimated assessable profits for the year.

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

5. Dividend

The Board does not recommend the payment of a final dividend (2022: nil) for the year ended 31 December 2023.

6. Loss per share

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

	2023	2022
	HK$ million	HK$ million
Loss for the year attributable to owners of the Company:		
Loss for the purpose of basic loss per share	**(155)**	(232)
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purpose of basic loss per share	**373**	374

No diluted loss per share for both years were presented as the Company has no dilutive potential ordinary shares outstanding during both years.

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 2023 HK$ million	31 December 2022 HK$ million
Trade debtors aged analysis (note a):		
Not yet due or within 90 days	**604**	462
91 days to 180 days	**6**	10
181 days to 360 days	**2**	1
Over 360 days	**–**	2
	612	475
Prepayments and deposits	**279**	265
Consideration receivable in respect of disposal of an associate	**5**	29
Other receivables (note b)	**722**	727
Less: Allowance for credit losses	**(5)**	(22)
	1,613	1,474

Notes:

(a) Included in the trade debtors are receivables of HK$2 million (2022: HK$3 million), which are aged over 180 days, based on the date on which revenue was recognised.

(b) Included in other receivables at 31 December 2023 are receivables of HK$542 million (2022: HK$529 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$132 million (2022: HK$134 million) carries interest at prevailing market rates. A court in the PRC issued notices to attach the aforesaid property interest to cause the Debtor to settle part of the outstanding receivable in the amount of approximately RMB318 million (approximately HK$351 million) (2022: RMB318 million (approximately HK$356 million)) and its related interest. In addition to these receivables, the Company has provided a guarantee in relation to a loan granted to the Debtor (see note 9(a)). Given that there have been continued positive outcomes in the legal disputes in relation to the property interest and recovery of the outstanding receivables, including the successful registration of title deed of the property under the name of the Debtor in May 2015, the Directors of the Company believe that these receivables will be fully settled and the guarantee provided by the Company will be fully released either through public auction of the aforesaid property interest or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

8. Creditors and accrued charges

The aged analysis of creditors (based on invoice date) of HK$772 million (2022: HK$649 million), which are included in the Group's creditors and accrued charges, is as follows:

	31 December 2023 HK$ million	31 December 2022 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**692**	552
31 days to 90 days	**57**	77
91 days to 180 days	**12**	6
Over 180 days	**11**	14
	772	649
Retention payable	**372**	262
Provision for contract work/construction cost	**1,290**	1,124
Other accruals and payables	**227**	239
	2,661	2,274

9. Contingent liabilities

At 31 December 2023, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

(a) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of 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(b) for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee to October 2024, subject to extension after further discussions. The management reasonably believes that further extension will be granted in due time. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$598 million) at 31 December 2023 (2022: RMB542 million (HK$607 million)) and the related interest amounting to RMB814 million (HK$898 million) (2022: RMB748 million (HK$837 million)) are secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

    In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and at the end of the reporting period after taking into consideration the possibility of demanding fulfilment of the Company's obligations under the Guarantee by the New Lender and the collateral of the loan. Accordingly, no value has been recognised in the consolidated statement of financial position.

(b) The Group is in discussion with the local government authority in the PRC with respect to the delay in construction completion of a development project in Tianjin, by the date as stipulated in the relevant land grant contracts. The relevant local government authority has accepted certain of the reasons identified by the Group in supporting the application for extending the completion date of the project. Based on the respective supplemental land grant contracts, a penalty of 0.02% of the land grant premium per day would be imposed from 29 June 2018 until the completion of the construction. Taking into account the aforesaid extension as accepted by the government authority and the fact that phase 1 of the project has been completed in 2015 and is in operation; and phase 2 of the project has been launched for sale since January 2019 and titles had been transferred to individual buyers for the sold units, the estimated penalty as at 31 December 2023, if any, will not be more than RMB14 million (2022: RMB14 million). Following the ease of epidemic in the PRC in early 2023, the management of the Company has resumed the communication with the relevant government authority and are of the view that the exposure should be further reduced or fully exempted.

FINANCIAL REVIEW

FINANCIAL RESULTS

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

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

An analysis of the total turnover is as follows:

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

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

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

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

Construction

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

Property

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

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

Net finance costs

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

Net foreign exchange losses

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

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

ASSETS BASE

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

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

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

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

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

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

EQUITY, FINANCING AND GEARING

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

Net bank borrowings of the Group, which represented the total of bank borrowings, net of bank balances, deposits and cash, amounted to HK$2,108 million on 31 December 2023, as compared with HK$1,601 million on 31 December 2022.

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

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

The net gearing ratio of the Group, calculated as net bank borrowings over shareholders' equity, increased to 88.9% on 31 December 2023, from 60.9% on 31 December 2022, which was mainly caused by (a) the loss for the year and depreciation of Renminbi against the Hong Kong dollar as mentioned above; and (b) reduced bank balances for increased debt servicing and increased net construction contract assets balance, for work completed but not billed, by over HK$500 million when comparing to the balance at 31 December 2022.

TREASURY POLICIES

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

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

EMPLOYEES

At 31 December 2023, the number of employees in the Group was approximately 2,321 (31 December 2022: 2,013) in Hong Kong and Macau, and 279 (31 December 2022: 286) in subsidiaries and joint ventures in Mainland China. Remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits, including provident fund schemes and medical insurance, remained at appropriate levels. The Group continued to retain and develop talents through various initiatives such as Trainee and Apprentice Development Programmes for fresh graduates from various disciplines, Managerial Development Program for middle managers, Leadership Development Program for project managers as well as Talent Development Program for selected high potential management staff. Likewise, in Mainland China, staff benefits are commensurate with market levels, with emphasis on building the corporate culture and professional training and development opportunities are provided for local employees. It remains our objective to be regarded as an employer of choice to attract, develop and retain high calibre and competent staff.

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

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Company's external auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2023, including the accounting principles and practices adopted by the Group. It has also considered selected accounting, internal control and financial reporting matters of the Group, in conjunction with the Company's external auditor.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout 2023, the Company complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange, 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.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the "AGM") of the Company will be held on Thursday, 30 May 2024 at 4:00 p.m. A circular containing the notice of the AGM, as well as the Company's 2023 Annual Report, will be published on the Company's website (www.socam.com) and the Stock Exchange's website (www.hkexnews.hk) on or around Thursday, 25 April 2024.

For ascertaining the shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 27 May 2024 to Thursday, 30 May 2024, 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 Friday, 24 May 2024.

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

Hong Kong, 27 March 2024

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 Directors of the Company are Ms. Lo Bo Yue, Stephanie and Mr. Chan Wai Kan, George; and the Independent Non-executive Directors of the Company are Mr. Chan Kay Cheung, Mr. Lau Ping Cheung, Kaizer and Mr. Wong Hak Wood, Louis.

** For identification purpose only*

Website: www.socam.com