



瑞安建業
SOCAM DEVELOPMENT

Stock Code: 983



BUILDING A BETTER TOMORROW

Annual Report 2021

Contents

2	2021 Highlights	94	Risk Management Report
6	Chairman's Statement	99	Directors' Report
11	Management Discussion and Analysis	109	Independent Auditor's Report
11	Business Review	114	Consolidated Statement of Profit or Loss
32	Financial Review	115	Consolidated Statement of Profit or Loss and other Comprehensive Income
36	Environmental, Social and Governance Report	116	Consolidated Statement of Financial Position
68	Directors and Senior Management	118	Consolidated Statement of Changes in Equity
72	Corporate Governance Report	119	Consolidated Statement of Cash Flows
86	Audit Committee Report	121	Notes to the Consolidated Financial Statements
88	Remuneration Committee Report	200	Group Financial Summary
92	Nomination Committee Report	201	Corporate Information

Corporate Values

SOCAM's corporate culture is based on the Shui On Group's adherence to a comprehensive set of corporate governance principles, and our commitment to integrity, quality, innovation and excellence.

+ Integrity

+ Quality

+ Innovation

+ Excellence

About SOCAM

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

Better Tomorrow 2021 – 2030

The "Better Tomorrow 2021-2030" blueprint, setting the sustainability vision and target for the next ten years, is an important step for the Company as it moves to create a positive impact on the economy, environment and the community, and putting sustainability as part of SOCAM's long-term outlook.

The Redevelopment of Kwai Chung Hospital (Phase 2)

The interior fit-out of Hang Seng Bank Head Office

2021 Highlights

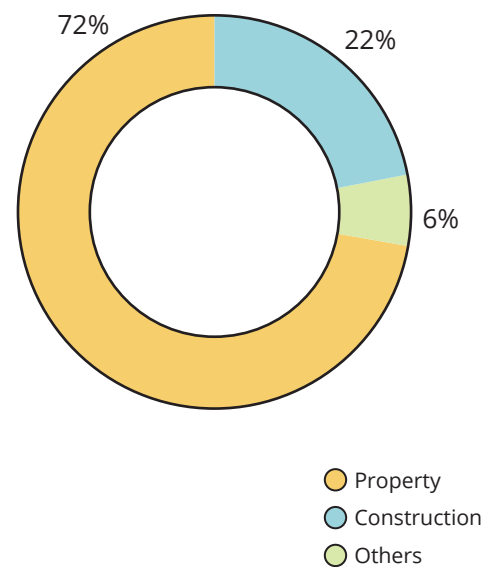
Financial Highlights

Year ended 31 December					
HK\$ million	2021	2020	2019	2018	2017
Turnover					
SOCAM and subsidiaries	5,267	5,670	5,545	6,128	6,472
Share of joint ventures and associates	9	9	22	34	481
Total	5,276	5,679	5,567	6,162	6,953
Profit (loss) attributable to shareholders	76	52	7	(139)	(613)
Basic earnings (loss) per share (HK\$)	0.20	0.14	0.02	(0.31)	(1.27)
Dividend per share (HK\$)	0.07	-	-	-	-

At 31 December					
Total assets (HK\$ billion)	9.6	9.8	9.4	10.6	12.0
Net assets (HK\$ billion)	3.3	3.1	2.8	2.9	3.6
Net asset value per share (HK\$)	8.72	8.37	7.49	7.52	7.36
Net gearing	46.9%	50.8%	54.2%	84.9%	53.6%

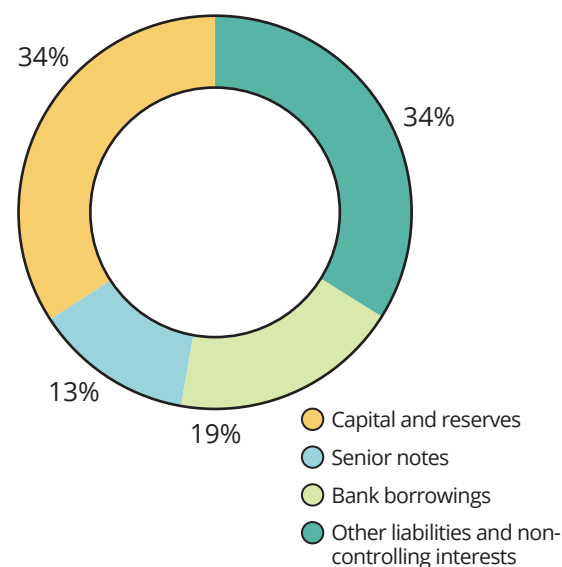
Assets Employed

At 31 December 2021

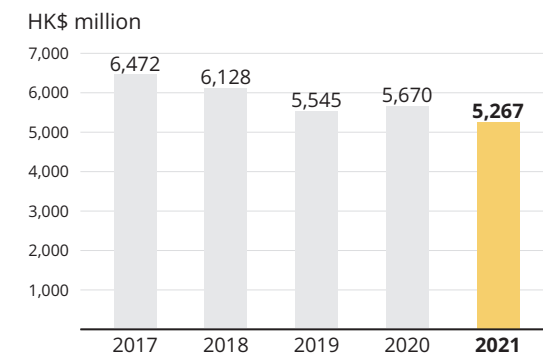


Capital and Liabilities

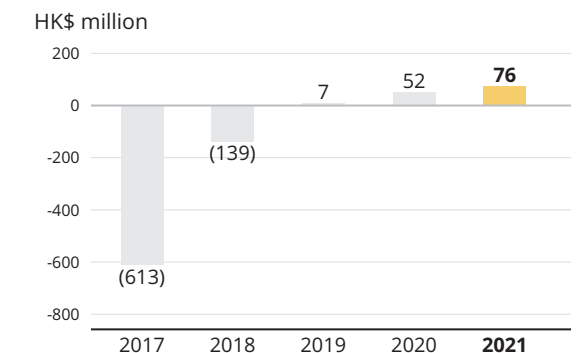
At 31 December 2021



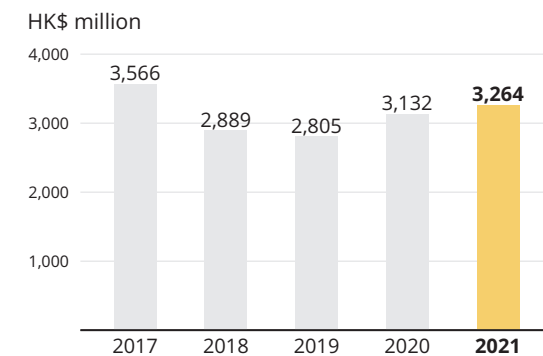
Turnover



Profit (Loss) Attributable to Shareholders of the Company

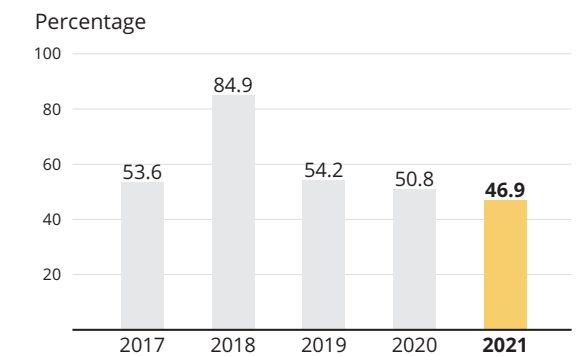


Equity Attributable to Shareholders of the Company



Net Gearing

At 31 December



Business Highlights

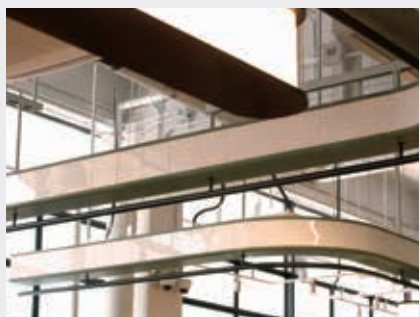
Construction	Property	Environmental and Social
Profit HK\$511 million ▲ 12%	Loss HK\$124 million ▲ 72%	Carbon Emissions 60,170 tCO₂e ▼ 3.8%
Turnover HK\$4.9 billion ▼ 2%	Turnover HK\$331 million ▼ 47%	Accident Rate (per 1,000 workers) 3.65 cases ▼ 5.9%
Profit Margin 10.4% ▲ 1.4%	Rental Income RMB64 million ▲ 11%	Training Hours 20,960 hours ▲ 11%

Project Highlights

Central Market

+ Restoration and revitalisation of the Grade 3 historic building

Deploying innovative project management and technologies to preserve and enhance the iconic features, we successfully transform the heritage with a new vision.



Key Business Areas

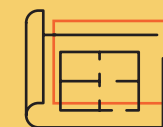


New Works

With strong design-and-build capabilities and extensive experience in the industry, we delivered a range of quality public housing, hospitals, and institutional buildings.



Interior Fit-out



Committed to ensuring every project excels down in the last detail, Pat Davie has been one of the leading fit-out service providers in the Hong Kong and Macau markets.



Property

Comprising mainly four shopping malls in Mainland China, the property business is taking proactive asset enhancement initiatives to elevate shoppers' experience.



Maintenance Works



Our strong competence and expertise in maintenance and minor works provides customer-oriented solutions to clients.

Building a Better Tomorrow

In 2020, SOCAM established its sustainability strategy for the next ten years. Our 'Better Tomorrow 2021-2030' is at the core of all SOCAM sets out to achieve.



Chairman's Statement

There are tremendous opportunities for SOCAM to contribute to the further ambitious growth and development of the HKSAR as we play our part in the rapid expansion of the Greater Bay Area.

Vincent H. S. Lo
Chairman



Dear Shareholders,

After negative growth in 2020, global GDP saw a revival with a 5.9% increase in 2021. A degree of business optimism prevailed in many economies as COVID-19 vaccination rates increased among their populations. As in previous years, China's powerhouse economy contributed significantly to global GDP growth, and expanded 8.1% last year, far exceeding the Central Government's target and comparing favourably to its GDP growth of 2.2% in 2020. Hong Kong's GDP grew by 6.4% in 2021, reversing the contractions in the previous two years. However, the rampant Omicron variant towards the end of last year has slowed the pace of global economic recovery.

2021 marked the Shui On Group's 50th Anniversary. Challenges often give rise to new ways of restructuring our behaviours and accelerating our adoption of digital resources. Since the founding of our business in 1971, we have completed over 200 major construction projects in Hong Kong, and expanded our construction expertise to design-and-build, building maintenance and fit-out and renovation. In all these areas we currently have strong capabilities and a healthy order book. I believe there are tremendous opportunities for SOCAM to contribute to the further ambitious growth and development of the HKSAR as we play our part in the rapid expansion of the Greater Bay Area.

Against this background, I am pleased to report that the Group posted a profit attributable to shareholders of HK\$76 million in 2021, compared to HK\$52 million the year before. Turnover for the year was HK\$5.3 billion, indicating parity in business activities amid an environment beset by challenges over the last few years (turnover for 2020 and 2019: HK\$5.7 billion and HK\$5.5 billion respectively). With the continuing improvement of financial results, the Board recommended the payment of a final dividend of HK\$0.07 per share to shareholders.

Building Values

The Group has had another profitable year in the construction business. The business recorded remarkable growth and posted a pleasing profit of HK\$511 million in 2021. We are cautiously optimistic this growth path will continue in 2022 and beyond as we seize more opportunities in this sector in Hong Kong.

In recent years the Group has been able to sustain a strong order book as regards construction, building maintenance, fit-out and renovation contracts in Hong Kong and Macau, offering healthy growth in profitability and cash flow. As at year-end 2021, the

gross value of contracts on hand was HK\$23.8 billion and the value of outstanding contracts to be completed was HK\$15.0 billion. In addition, the Group secured a total of HK\$2.3 billion new contracts in the first three months of this year.

In Mainland China, the key challenge to the Group's property business in 2021 was to enhance the asset value of our four shopping malls by increasing customer footfall and rental returns. Here SOCAM continued to meet two external impediments to increasing operating income. The epidemic was contained effectively in China on the whole, but the constant anti-COVID-19 measures continued to impact consumer sentiment, while fueling the inexorable growth of online retail business. The property business saw improvement in mall occupancies and rental income, yet reported a loss of HK\$124 million in 2021, which was higher than that for 2020, largely attributable to the limited property sales profit as the inventory was running low.

Headwinds from Different Fronts

In Hong Kong, the fifth wave of COVID-19 epidemic has caused exponential growth in infections since early January 2022, greatly affecting all walks of life and many business activities in the interest of public health. In the construction sector, SOCAM has stepped-up measures to safeguard the wellbeing of our employees and on-site workers since the outbreak, while looking to keep operational progress on track as far as possible. That said, our business operation remains vulnerable to continuing high infection rates in society as a whole. In the wider world, there was little progress towards a China-USA trading entente. The Russia-Ukraine war is causing major geopolitical uncertainties and, if persisting, may possibly trigger an energy crisis and further disruption of the global supply chain. While the global economic recovery continues, the resurging pandemic may pose renewed challenges.

Strengthening Construction Outlook

Over the next ten years, construction investment in Hong Kong is expected to increase markedly. The HKSAR Government continued to push forward with the sector-wide initiative - Construction 2.0 to promote the reform of the construction sector. Digitalisation and technology is now the foundation of the design and construction process. In the past two years, SOCAM has adopted new technologies to bolster our sustainability, productivity and competitiveness in construction works as well as the health and safety of our people.

BIM – Building Information Modeling – is now driving our command of the entire building cycle from architecture to smart site construction, to project delivery. The Phase 1 of the Central Market Revitalisation Project, completed in October 2020, involved extensive restoration and preservation works for an 80-year-old historic architecture, while addressing the contemporary statutory requirements and building codes to meet stakeholders' expectation. To cope with the challenges, we have made extensive use of BIM technology to visualise a detailed building structure and optimise the construction schedule. It significantly reduces costs and waste, and contributed to preserving its heritage value and bringing a new landmark in the city.

We have increasingly built digital and robotics capabilities. Starting from 2020, the Group made further steps to employing farsighted approaches to Modular Integrated Construction (MiC) method. The construction of Kwu Tung Multi-Welfare Services Complex building, where we apply the MiC technology fully with 1,764 units of freestanding integrated modules already installed as of last February. This expedites the delivery of comfortable homes for the elderly in need, as it slates for completion late this year.

As SOCAM continues to tender for public housing and healthcare construction contracts, we have also extended our design-and-build expertise to capture the enormous market opportunities. We are now

working on four major design-and-build projects for the Architectural Services Department (ASD) and Hospital Authority, with an aggregate contract value of over HK\$9 billion. We consider the adoption of innovative technology is invaluable in the highly-competitive tendering environment, uncovering

Challenges often give rise to new ways of restructuring our behaviours and accelerating our adoption of digital resources.

more business growth opportunities, particularly as Hong Kong is set for the exciting development of the Northern Metropolis development plan.

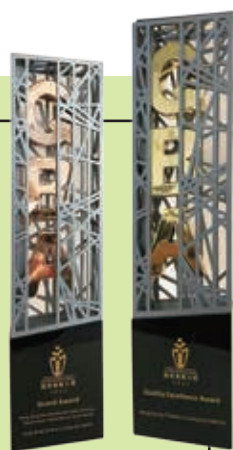
Enhancement of Property Assets

China's retail sales saw improvement in 2021, a strong turnaround from the dip in 2020, underscoring the overall resilience of China's spending power in a year full of challenges.

The pandemic has accelerated the pace of change in the retail sector. During the past year the Group proceeded diligently with its asset enhancement initiatives in its malls in Chengdu, Chongqing, Shenyang and Tianjin. Our mall management teams are constantly alert to emerging trends and changing consumer preferences in the shopping experience. We expect to face further challenges in the immediate future due to the new normal for consumers and intensifying retail competition, but we believe our lasting partnerships with our tenants will deliver a degree of resilience during difficult times.

Quality Building Award 2020

The Quality Excellence Award and the Grand Award to Hong Kong Children's Hospital is a testimony to its revolutionary building and innovative sustainability designs.



Our Focus on Sustainability

In 2020, SOCAM introduced its sustainability strategy for the next ten years. Our 'Better Tomorrow 2021-2030' is at the core of all SOCAM sets out to achieve. Despite operating in a pandemic-battered business environment, we proceeded well with this plan in 2021, as we engaged in various programmes covering all major ESG aspects.

Business sustainability derives from talent development, environmental protection, and creates social value. We have set an ambitious target to reduce our carbon emission through energy and waste reduction, and we attract the younger generation into the Company to bring in a refreshed vision. Of equal importance is the Group's wider concern for the community, to help in care for the elderly and provide support and encouragement for the young.

Last year, the Group launched smart facility management business, built on our accumulated knowledge of sustainability in construction and property management. SOCAM is providing comprehensive smart solutions to help clients achieve their sustainability goals through energy saving, cost reduction and productivity improvement. This is an exciting new direction for the Company as we seek, where we can, to align cost-benefit to sustainability outcomes.

A Cautiously Optimistic Outlook

SOCAM's construction business stands to benefit from the unprecedented opportunities that lie ahead, with the HKSAR Government's plan to produce 330,000 public housing units over the next 10 years from 2021, and adopt design-and-build model in suitable public housing construction projects to shorten the development cycle. This is an area in which the Group has pre-emptively built up strong and widely-recognised expertise and experience.

Further, approval of government's public expenditure proposals by the Legislative Council is no longer mired in political wrangling. This lays the ground for expediting Hong Kong's socio-economic development

progress. We hope that project execution will more closely follow policy enactment.

The tendering environment for government construction contracts remains highly competitive, particularly in regard to public housing and healthcare facilities, amid a shrinking construction industry over the last several years. We regard this as only beneficial as it drives up the on-spec quality and on-time reliability which we are confident of achieving.

Appreciation

Faced with the COVID-19 resurgence with record high infections over the last few months, 2022 will be an exceptionally challenging year for us as individuals and also as a corporation. Reflectively, I would like to give my heartfelt thanks to the management team and our front-line staff, for their hard work and dedication over the past year. I would also like to thank my fellow Board members for their continued support and advice.

SOCAM has gone through a major operational alignment in our business model in the past decade, as we focus now on our core competencies. Many have helped drive that corporate undertaking. To them, my particular appreciation for their efforts. Further, I welcome more recently-joining colleagues to a company that is now able to embrace a dynamic approach to innovation and technology as we take a reinvigorated push towards sustainable growth and profitability. I have every belief that Hong Kong, as a Special Administrative Region of China, has a flourishing future.



Vincent H.S. Lo
Chairman

Hong Kong, 30 March 2022

Management Discussion and Analysis



The wider adoption of innovative technologies and increasing digitalisation of our operations will keep us some way ahead of mandated protocols.

Freddy C. K. Lee
Chief Executive Officer

Business Review

SOCAM's main business activity revolves around construction in Hong Kong, and property in Mainland China. It is the Group's strategy to leverage our core competencies to capture the exciting opportunities in the construction sector for business growth, while at the same time unlocking value from our property assets through enhancement of our retail and commercial properties. We also look for suitable divestment opportunities for en-bloc asset disposals to restore shareholder value.

SOCAM saw encouraging results during the year. The Group reported net profit attributable to shareholders of HK\$76 million for 2021, as compared with the HK\$52 million profit for 2020. The growth in profit was mainly due to the higher profit contribution from the construction business and marked improvement in the leasing performance of the retail malls. The Group's turnover for 2021 amounted to HK\$5.3 billion, down slightly by 7.1% against the HK\$5.7 billion for 2020.

SOCAM's construction arm in Hong Kong entered the year with strong progress on existing projects and an optimal order book to suit our on-time, on-spec delivery capabilities. With our Building Information Modelling (BIM) application increasing in sophistication, we were able to recalibrate quickly to any COVID-induced disruptions to the supply chain of construction materials. The construction business is thus able to report a 12% profit growth in 2021 over a solid base established the year before. With the infection potency of the fifth wave expected to start burning out in late-March, construction turnover is likely to increase through the second half of 2022.

Management Discussion and Analysis

Our four shopping malls in Mainland China are well-established in locations with high residential occupancy and shoppers' attractions. 2021 saw greater take-up in retail occupancy and improved gross rental income. However, our asset enhancement ambitions continue to be frustrated by the changing consumer habits, with increasing migration to online purchasing, exacerbated by localised travel and public gathering restrictions to contain the sporadic resurgence of inflections. A latent demand for experiential retail is still strong as the Central Government rolls out its 'dual circulation' policy, one aspect of which is to reorient China's economy by prioritising domestic consumption.

Market Environment

In two years, the COVID-19 pandemic has swept the entire globe. The Group's principal markets are no exceptions, but saw a steady recovery in 2021. While China's zero-COVID policy has kept the pandemic under control with great success, its economy turned to robust expansion, after the first contraction on record in the first half of 2020. China's GDP grew by 8.1% to RMB114.4 trillion in 2021, surpassing the Central Government's target of above 6%, and following the 2.2% GDP growth in 2020. The Mainland economy sustained further growth and development, with exports and imports growing fast, industrial production and local consumption on the rise, and household income surging up, while employment remained stable and consumer prices went up moderately.

The Hong Kong economy recorded a visible recovery in 2021, with GDP growing by 6.4% after an unprecedented two consecutive years of deep recession. The improvement in economic performance was largely driven by strong exports on a sharp snapback of global demand, while local consumption sentiment rebounded on the back of the HKSAR Government's consumer voucher program, improving labour market conditions and stable epidemic situation in the second half of the year. Following the enhancement of the electoral system of the HKSAR in May 2021, the tendering and award of government projects are no longer affected by the delay in funding approval at the Legislative Council due to political wrangling and other malfunction.

Key Corporate and Business Developments

Smart Facilities Management Services Business

In recent years, demand for smart facilities management (SFM) solutions and services has been rising sharply. Faced with an evolving business landscape in the post-pandemic new normal, and growing concern over climate change, enterprises globally are seeking to enhance their organisational resilience and build a sustainable model for their building infrastructure and facilities.

Leveraging our solid expertise and experience in construction, building maintenance and property management, SOCAM has extended its core competencies to offering bespoke solutions to property owners to help lower their carbon footprint and operating costs. Initially, our strategic endeavour is to focus on the SFM markets in Hong Kong and then gradually expand to other cities in the Greater Bay Area and the Yangtze River Delta region.

Through established contacts with technology innovators and systems and equipment suppliers, we aim to offer innovative and comprehensive services to help our clients achieve their sustainability goals, from diagnosis, retrofit, monitoring, continuous improvements to digitalisation upgrades. Partnering with energy and sustainability experts, SOCAM has already begun to implement sustainability facilities improvements for hospitals in Hong Kong and Chengdu Centropolitan in the Mainland. During the year, we have been closely monitoring the energy and other operational data of our clients and are seeing noticeable saving. We believe that the SFM business will become a new growth engine for SOCAM in the years ahead.

Strengthening Business Sustainability

While the COVID-19 epidemic has spurred waves of inflections around the world, the Group acted swiftly to navigate the challenges and opportunities, in order to maintain resilience and growth in the new normal.

We are making progress in our march towards the Group's "Better Tomorrow 2021-2030", which sets out the sustainability strategy for the next ten years and guides our efforts for integrating sustainability into all aspects of our business operations. Further details are provided in the Environmental, Social and Governance (ESG) Report. We have also started aligning our actions related to ESG with the recommendations of the Task Force on Climate-related Financial Disclosures and the United Nation Sustainable Development Goals as investors' appetite for better ESG disclosures continues to grow.

The pandemic does not stop the world from moving on. SOCAM stays focused to build new infrastructure that allows us to embrace digitalisation and construction technology. We achieved encouraging performance on quality, safety and environmental aspects as we integrated BIM and MiC in our projects. Efforts are being made to leverage innovative technology and sustainable practices that will enable us to achieve our carbon reduction targets.

Talent development has always been a central focus. We have elevated our e-training and development capabilities and ramped up efforts to address, in particular, the risks of ageing workforce and change in skills for our construction business. In addition, to nurture human capital, we rolled out 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.

Acquisition of 65% Share Interest in Welpro Technology Limited

The Group has been actively exploring investment opportunities that are beneficial to its long-term development. In December 2021, the Group entered into a sale and purchase agreement to acquire 65% share interest in Welpro Technology Limited (Welpro), a fast-growing security, audio and visual solution provider, for a cash consideration of HK\$37 million (subject to the downward adjustment in accordance with the agreement terms). Completion of the acquisition took place on 3 January 2022.

Welpro is admitted to the Development Bureau's List of Approved Suppliers of Materials and Specialist Contractors for Public Works. Its expertise, know-how and qualifications serve to complement and expand the Group's business scope. It is expected that the acquisition will create synergy with the Group's maintenance and other businesses.

Redemption of Senior Notes

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

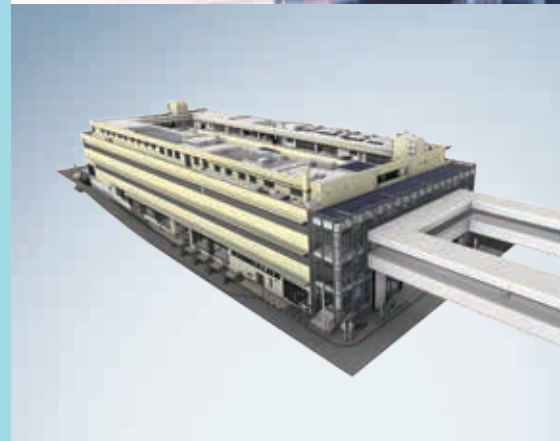


+ Construction business saw remarkable growth during the year



Technology

Innovation and technology are the key drivers to achieve our long-term development and ambitious growth. They facilitate our team across different business operations to solve the complex project challenges by optimising computational tools in a creative way.



Redevelopment of Kwai Chung Hospital (Phase 2)

To optimise the operational efficiency, the project fulfills BEAM plus GOLD standards with wide adoption in Building Information Modelling and other construction technologies.



Drainage Services Department Building

Upon completion in 2025, this institutional building will be the headquarters of the Drainage Services Department and the offices of other government departments at Cheung Sha Wan.



Design & Build

Multi-Welfare Services Complex in Kwu Tung North

As the Group's first project with full MiC application, the construction period of the project is greatly shortened to 28 months. Slated for completion in 2022, the eight-storey complex housed 1,750 residential care homes for the elderly.



Fire Station and Ambulance Depot in Lok Ma Chau Loop

The project comprises a divisional fire station and ambulance depot with other facilities such as divisional training, storage area and ancillary offices, serving the Lok Ma Chau Loop area upon completion.



Construction

The business entered the year with strong progress on existing projects and an optimal order book to suit our on-time, on-spec delivery capabilities.

Market Review

Despite the recovery of the Hong Kong economy in 2021, construction activities declined further in the first half, after four consecutive years of contraction. It staged a gradual rebound in the latter half. Total expenditure on building and construction rose by 0.3% year-on-year in 2021, while the public sector sustained further expansion and the private sector started to pick up in the second part of the year. The construction unemployment rate saw a notable decline to 5.1% in December 2021, from 10.7% in December 2020, the highest level since 2006, as the labour market and the local

epidemic situation improved during most of the year. Market competition for public works contracts remained severely intensified.

The housing and healthcare issues in Hong Kong are of greatest public concern. As stated in the Chief Executive's Policy Address in October 2021, the HKSAR Government has identified about 350 hectares of land for providing some 330,000 public housing units for the coming ten-year period (2022-23 to 2031-32). In addition, the Government has also proposed to raise the overall supply of transitional housing from 15,000 units to 20,000 units in the next few years for low-income residents on the waiting list for public housing. A steady flow of public housing contracts is expected in the coming years.

+ The Kwu Tung North Multi-Welfare Services Complex is the Group's first project with full MiC application



At the same time, the HKSAR Government is proceeding in full swing with the HK\$200 billion first 10-year hospital development plan, while pressing ahead with the planning of the HK\$300 billion second 10-year hospital development plan. 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. Our construction business is well positioned to benefit from the tremendous tendering opportunities coming from the healthcare sector as well.

Construction Technology

SOCAM continues to accelerate the upgrade of its information technology infrastructure and digitalisation under the new normal.



+ Further progress has been made on the application of BIM technology

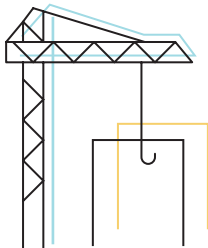
In the Kwu Tung North Multi-Welfare Services Complex project, we have adopted the MiC technology in full scale. In February 2022 it came to the completion of the installation of 1,764 freestanding integrated modules in the project. The MiC technology has not only minimised the environmental impact created during the construction process, but also greatly shortened the construction period to 28 months.

In addition to the increasing deployment of construction innovations in our different projects, we have also expanded the application of technological advances to further elevate our production efficiency, worksite safety and environmental benefits. In recent years, we have been exploring the adoption of Design for Manufacturing and Assembly, Prefabricated Prefinished Volumetric Construction and artificial intelligence (AI), as well as the use of suitable robots in selected construction processes. These technologies not only bring about the aforesaid advantages but also cope with new contract requirements of government projects and ease the undue pressure at worksites due to the shortage of skilled workers.

Further progress has also been made on the application of BIM technology during the year. We have strengthened our in-house design and technical capabilities through our Zhuhai office, which will enhance our competitiveness in tendering for the growing number of design-and-construction jobs from the HKSAR Government and other clients, some of which are making the use of BIM mandatory. We have increased investment in strengthening and nurturing the BIM team, which plays a pivotal role in facilitating the wider adoption of BIM technology in our building and interior fit-out projects going forward.

Safety and Recognitions

The wellbeing of our people is always our top concern. With our unfailing efforts in promoting and strengthening safety at worksites, we see further improvement in our performance. We registered an accident rate of 3.65 per 1,000 workers in 2021, which hit the lowest on our records and is substantially below the industry average of 26.1 per 1,000 workers, the latest record in 2020. To further enhance our safety, we introduced AI cameras for monitoring site operations to help identify safety hazards,



+ Secured the design and construction contract of Fire Station and Ambulance Depot with Departmental Accommodation in Lok Ma Chau Loop subsequent to the year-end

and applied face recognition technology, a smart helmet system and safety management protocols at construction sites, in order to protect the health and safety of our employees and workers at all times.

Our teamwork has earned us industry recognitions during the year. Shui On Building Contractors Limited (SOBC) and Shui On Construction Company Limited (SOC) clinched:

- + The Proactive Safety Contractor Award from the Hong Kong Construction Association (HKCA) in the HKCA Construction Safety Award 2020; and
- + The Gold Award in the Safety Management System Award, and the Silver Award in the Safety Culture Award and Best Workplace Infection Control Measures Award at the 19th Hong Kong Occupational Safety and Health Award organised by the Occupational Safety and Health Council.

SOBC garnered a number of awards at the 22nd Construction Safety Award organised by the Occupational Safety and Health Council and the 27th Considerate Contractors Site Award Scheme jointly organised by the Development Bureau and the Construction Industry Council, including:

- + Gold Award in the Best Safety Activity Team, Best Safety Project Manager/ Site Agent and Best Safety Enhancement Program for Lifting Operation;
- + Silver Award in the Best Safety Culture Site and Best Refurbishment and Maintenance Contractor in Occupational Safety and Health (Main Contractor Category); and
- + Silver Award in the Considerate Contractor Site Award.

SOBC also received various awards at the Quality Public Housing Construction and Maintenance Awards 2021. These included the Safety Innovation and the Completed Project Site Safety – Building under the New



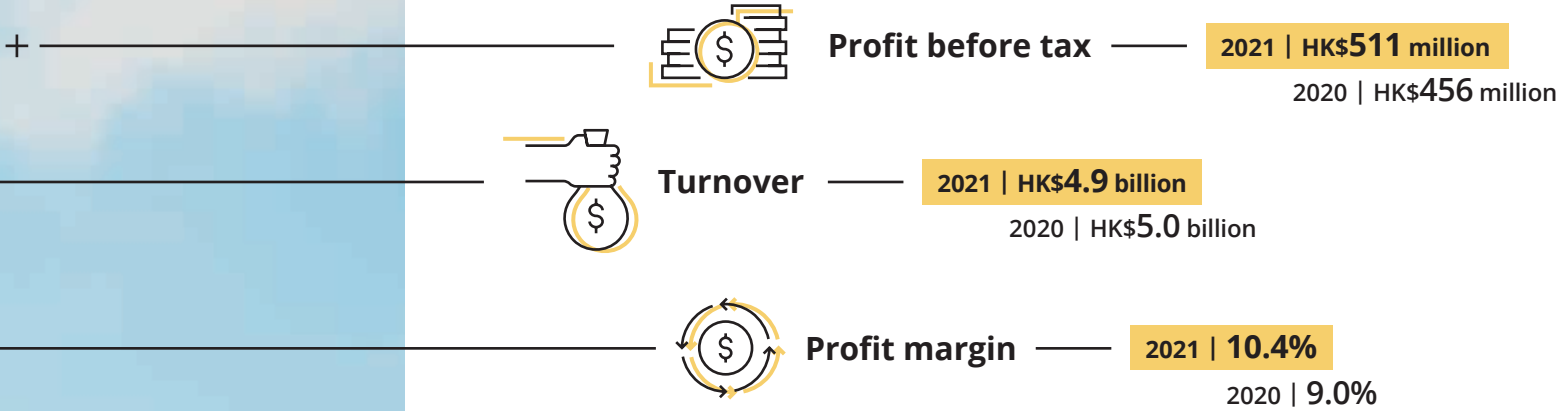
Works Projects – Best Site Safety category, and the Merit Award for Fighting Epidemic under the New Works Projects – Outstanding Contractors, and the Outstanding Contractor (Maintenance & Improvement Project) categories.

Operating Performance

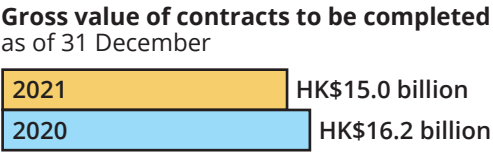
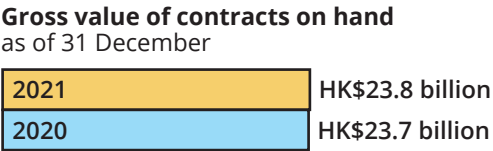
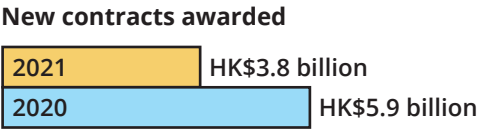
The Group’s construction business posted a considerable increase in profit in 2021. Capitalising on SOCAM’s solid presence in the market, the Group maintained a healthy order book during the year amid intensified market competition, and continues to go from strength to strength.

The business reported a profit of HK\$511 million for 2021, a 12% increase over the profit of HK\$456 million for 2020. Turnover for 2021 amounted to HK\$4.9 billion, slightly below HK\$5.0 billion for 2020. The pre-tax profit margin rose to 10.4% in 2021, from 9.0% in 2020.

+ The design and construction of Drainage Services Department Building is in good progress



New Contracts Awarded and Workload

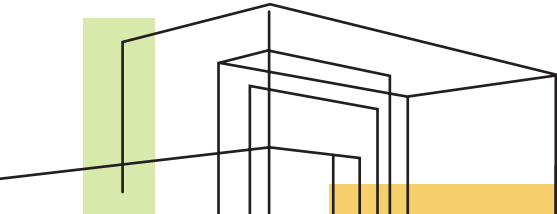


The Group’s order book remained strong. During 2021, faced with a hyper-competitive tendering environment, the Group secured new construction, maintenance, fit-out and renovation contracts in Hong Kong

and Macau worth a total of HK\$3.8 billion, compared to the HK\$5.9 billion awarded in 2020. In the latter part of the year the Group submitted several competitive bids, and stands a good chance of being awarded some major contracts. 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 2021, the gross value of contracts on hand was HK\$23.8 billion and the value of outstanding contracts to be completed was HK\$15.0 billion, compared with HK\$23.7 billion and HK\$16.2 billion respectively as at 31 December 2020. The strong order book will help produce healthy growth in turnover, profit and cash flow in the coming few years.

During 2021, the Group’s construction projects continued to progress well and on schedule. Details of the major construction projects in progress as well as those completed during the year will be provided under the respective companies section.



Shui On Building Contractors Limited

SOBC is the only building contractor admitted to the “Premier League” of the List of Building Contractors (Building – New Works) category of the Hong Kong Housing Authority (HKHA) from 1 October 2021, which accredits SOBC’s reliability and capability to deliver quality construction services consistently in the HKHA’s public housing programme.

New Contracts

- New contracts secured by SOBC and Pacific Extend Limited (PEL) during 2021 totalled HK\$1,822 million, which included:
- + construction of a public housing development at Anderson Road Quarry Site RS-1 for the HKHA (HK\$1,326 million), which will provide 1,906 public rental housing units, retail space and ancillary facilities upon completion in 2024; and
 - + a 3-year term contract for minor works on buildings and lands and other properties for which the Architectural Services Department (ASD) is responsible for the whole territory of Hong Kong (HK\$463 million).



+ The construction of Dip Tsui Court in Chai Wan is scheduled for completion in 2022

The term contracts for building maintenance and minor works are undertaken by PEL, and continue to provide stable income stream to the Group in addition to building construction projects. Over the years, PEL has built up a strong clientele, including the HKHA, ASD, Hospital Authority, Airport Authority Hong Kong (AA),

Education Bureau, CLP Power Hong Kong Limited (CLP), MTR Corporation Limited (MTRC), Hong Kong Jockey Club and Hong Kong Polytechnic University. PEL continues to expand its client base and seek greater works diversification to further capture the growing opportunities in the facility management market.

Existing Contracts

- During the year, apart from the new construction and maintenance contracts, SOBC and PEL made good progress on their existing contracts, including:
- + the construction of a public rental housing development at Chai Wan Road 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 contracts for alterations, additions, maintenance and repair works for the Education Bureau;
 - + the architectural and building works term contract for MTRC;
 - + the term contracts for design and construction of minor building and civil engineering works as well as cable trenching and laying works for CLP; and
 - + various minor works term contracts for the Hospital Authority, the Education Bureau and the Hong Kong Jockey Club.

SOBC and PEL completed the 3-year term contract for the design and construction of fitting out work to buildings and lands and other properties on Hong Kong Island and the Outlying Islands for the ASD and, as scheduled, a few refurbishment, renovation and remedial works contracts of short construction periods for CLP, the Electrical and Mechanical Services Department and AA.

The maintenance and minor works on the buildings and facilities of the government departments/organisations, institutions and public utilities were less affected by the social, economic and market conditions. The term contracts from this niche market segment continued to provide stable stream of work to maintenance contractors. Our building maintenance business always places the safety of our employees and workers at the forefront of its efforts, and was honoured with the Best SHE Performed Contractor of the Year 2020 by CLP.

After the year-end, SOBC was awarded the contract from the HKHA for the 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 (HK\$1,329 million), which will make available 1,556 public rental housing units, retail space, and education, community and ancillary facilities, when completed in 2025.



+ Our Interior Fit-out arm maintained a strong order book during the year

Shui On Construction Company Limited

During 2021, the joint venture established between SOC and SOBC (Shui On Joint Venture) progressed on track with the design and construction contracts, including the redevelopment of Kwai Chung Hospital (Phase 2) for the Hospital Authority, and provision of a purpose-built Multi-welfare Services Complex for the elderly at Kwu Tung North and the Drainage Services Department Building at Cheung Sha Wan for the ASD.

The ASD and the Hospital Authority continued to release a number of construction contracts for tender. SOC, leveraging the Group's competency in design and build, will continue to capture the upcoming tender opportunities, while market competition has become increasingly intense.

SOC completed the contract for the design and construction of the 1,184-unit Junior Police Officers Married Quarters at Fan Garden, Fanling for the ASD during the year.

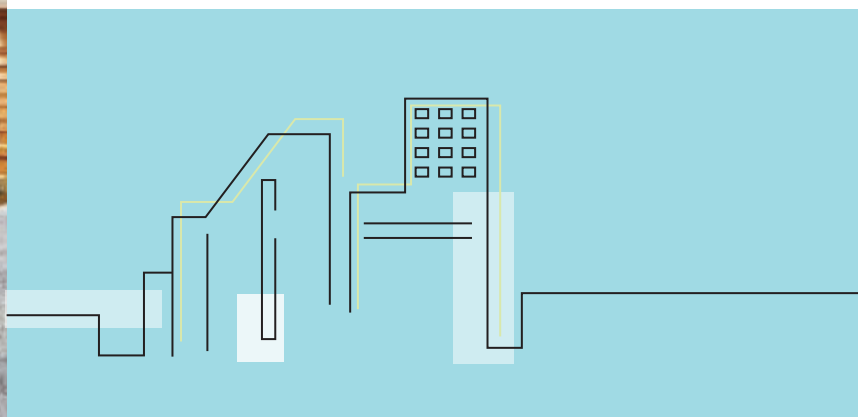
The Central Market Revitalisation Phase I, completed last year, is our first construction

project adopting BIM technology in full scale in managing the data and information during the asset life cycle in order to improve efficiency, service quality, site safety and environmental performance. Thanks to the collective efforts and adoption of innovative restoration methods, the entire project team of this project, in which SOC acted as the main contractor, was awarded Refurbishment/Revitalisation Team of the Year at the RICS Awards 2021 Hong Kong organised by The Royal Institution of Chartered Surveyors.

Our commitment to quality and innovation also win us the BIM consultant services for the ASD's Drainage Services Department Building project in Cheung Sha Wan, and the HKHA's public housing development project at Anderson Road Quarry Site RS-1.

In June 2021, Hong Kong Children's Hospital, a joint venture design and build project completed in 2017, garnered both the top Quality Excellence Award and the Grand Award of Hong Kong Non-Residential (New Building – Government, Institution or Community) category in the Quality Building Award 2020, in recognition of its revolutionary building and innovative sustainability designs, ensuring the patients' benefits be prioritised.

Subsequent to the year-end, SOC secured the HK\$860 million contract from the ASD for the design and construction of Fire Station and Ambulance Depot with Departmental Accommodations in Lok Ma Chau Loop, which is slated for completion in 2024.



Pat Davie Limited

Pat Davie Limited (PDL) remains very active in the highly competitive fit-out and refurbishment markets of both Hong Kong and Macau. In 2021, it secured a total of 46 new contracts with an aggregate value of HK\$1,586 million primarily in the commercial and institutional sectors in Hong Kong, and maintained a strong order book.

In Macau, visitor arrivals saw an upsurge in 2021 following the SAR Government's partial relaxation of certain travel curbs when the epidemic was brought under control. Gross gaming revenue rebounded sharply by 43.7% in 2021 from a very low base, following the 79.3% plunge in 2020. As the business environment remained challenging and highly uncertain, adjustments were made by operators to their plans for revamps and rolling refurbishments of the casino hotels.

New Contracts

The major contracts secured during the year included:

- + Fit-out works on the shopping mall, known as The Wai, atop Tai Wai Station;
- + Fit-out works on the Main Stadium in Kai Tak Sports Park;
- + Fit-out works on the Business Centre, Drug Safety Testing Centre, Robotics Catalysing Centre, co-working spaces, office and dry laboratory, and conversion of office to wet laboratory, in various buildings of Hong Kong Science Park;
- + Fitting-out works at Hang Seng Bank Headquarters;
- + System capacity improvement works at Hong Kong International Airport;
- + Revamp works on Central Concourse, and E&M and builder's supportive works for 5G provisions for Phase 2A, at Hong Kong International Airport Terminal 1;
- + Design, supply and installation of specialist counter facilities at Hong Kong International Airport Terminal 2;
- + Design and construction of temperature-controlled room in Cathay Pacific Cargo Terminal;
- + Supply and installation of protective barriers at Festival Walk in Kowloon Tong;
- + Removal of asbestos and services replacement for refurbishment of the Regent Hotel in Tsim Sha Tsui;
- + Fit-out works on lavatories, corridors and lift lobbies of a commercial development in San Po Kong; and
- + Fit-out of retail street and podium circulation, and lobbies and cafés in W Hotel and Iconic Hotel at Studio City Phase 2 in Macau.

In addition, Shui On Joint Venture granted a HK\$338 million sub-contract to Shui On Façade Company Limited, a SOCAM subsidiary, for the curtain wall façade works for the Redevelopment of Kwai Chung Hospital (Phase 2) project, in a strategy to leverage our relevant in-house construction expertise and experience for greater cost effectiveness.

Despite the various delays and disruptions caused by the COVID-19 pandemic to the work progress, PDL has executed well on the projects it secured, and managed to deliver them on schedule and within budget. Contracts worth a total of HK\$901 million and HK\$327 million were completed in Hong Kong and Macau respectively during the year. Notable ones included the fit-out works on The Hong Kong Palace Museum and Hong Kong Science Park, refurbishment works on Alexandra House in Central, wholesale conversion of West Gate Tower in Cheung Sha Wan, asset enhancement works on Tai Wo Plaza in Tai Po, and improvement works at Lo Wu Station in Hong Kong, and fit-out works on the shopping arcade, entry lobby, public circulation and Shakespeare Hall in The Londoner Macao of Venetian in Macau.

Property

The Group's shopping malls, which saw an improvement in occupancy and rental income last year, will seek to take advantage of our ongoing Asset Enhancement Initiatives to achieve sustainable asset-value growth.



+ Enhancing shopping experience

Market Review

In Mainland China, both the retail and commercial leasing sector had a challenging year. The 'double reduction' policy introduced by the Central Government in July 2021, which aims at easing the burden of excessive homework and off-campus private tutoring for primary and middle school students, has cracked down on the Mainland's private education sector by surprise. It has also adversely impacted, as a ripple effect, the sales and leasing of office and mall spaces as education-related institutions have become important clients in recent years.

The COVID-19 outbreak has accelerated digitalisation of the Mainland's economy, particularly those areas requiring physical interactions, thus putting further

pressure on the traditional retail model. Chinese consumers are increasingly embracing online habits in the areas of shopping, remote learning and healthcare consultation, among others, while businesses strive to make greater use of digital tools and channels to increase customer acquisitions and forge connections, with 5G deployment serving as a catalyst. These are driving the rapid growth of a 'stay-at-home economy'. Both the consumer and business behaviours are undergoing transformation amid the evolution of the Mainland's digital landscape. We are constantly reviewing our tenant mixes and positioning as well as leasing and marketing strategies to prepare for the fast-changing behaviours post COVID-19 and adapt to the new normal.

Operating Performance

The Group's property business recorded a loss of HK\$124 million for 2021, compared with the loss of HK\$72 million for 2020, which included valuation and impairment losses, net of deferred tax provision, of its property portfolio of HK\$114 million and HK\$130 million respectively. Total turnover for 2021 amounted to HK\$331 million, comprising sales revenue of HK\$81 million, leasing income of HK\$114 million and Hong Kong property management services income of HK\$136 million, as compared with total turnover of HK\$628 million for 2020.

Although the business continued to record a negative contribution for the year, the gross rental income and occupancy rates of the Group's shopping malls showed gradual recovery. With the sporadic resurgence of COVID-19 variant infections across the country continued to hamper the consumer sentiment, a full recovery to the pre-pandemic level is expected but at a gradual pace.

Property Portfolio

As of 31 December 2021, 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 401,400 square metres, of which 384,500 square metres GFA were completed properties, and 16,900 square metres GFA of the Nanjing Scenic Villa project are currently under development.

Location	Project	Villa (sq. m.)	SOHO/ Office (sq. m.)	Retail (sq. m.)	Carparks & Others (sq. m.)	Total GFA* (sq. m.)
Chengdu	Centropolitan	-	33,300	43,000	86,200	162,500
Chongqing	Creative Concepts Center	-	-	21,000	9,900	30,900
Guangzhou	Parc Oasis	-	-	-	4,500	4,500
Nanjing	Scenic Villa	11,700	-	-	7,900	19,600
Shenyang	Shenyang Project Phase I	-	1,600	62,200	25,500	89,300
Tianjin	Veneto Phase 1	-	-	63,600	-	63,600
	Veneto Phase 2	-	1,600	29,400	-	31,000
Total		11,700	36,500	219,200	134,000	401,400

* The GFA shown excludes sold and delivered areas.

The property portfolio of the Group at 31 December 2021 mainly consisted of the following:

- (a) A shopping mall, an office tower and car parking spaces in Chengdu Centropolitan, which is a large-scale mixed-use development situated in Chengdu's CBD, with all residential and SOHO units sold after completion in 2017;

(b) A shopping mall and car parking spaces in Chongqing Creative Concepts Center, which is a composite building close to the busy Jiefangbei Square in the heart of Chongqing, with all residential and office units sold after completion in 2010;
- (c) A shopping mall and car parking spaces in Shenyang Project Phase I, which is a large-scale mixed-use complex located on the "Golden Corridor" in Shenyang, with all residential and serviced apartments as well as over 97% office units sold since completion in 2013;

(d) A European-style outlet shopping centre in Tianjin Veneto Phase 1 located near Tianjin's Wuqing Station on the Beijing-Tianjin intercity railway line, which has been fully operational since 2015; and

(e) Retail shops and SOHO units in Tianjin Veneto Phase 2, which is adjacent to Veneto Phase 1, with approximately 20% retail shops and 88% SOHO units, in terms of GFA, sold and delivered to buyers after completion in 2020.

Rental Performance

Our Mainland shopping malls recorded respectable growth in rental during the year. Total gross rental income, before deduction of applicable taxes, from the Group's retail and office properties in the Mainland for 2021 amounted to RMB64 million, up 11% from RMB58 million for 2020, as the Mainland economy has been recovering steadily since the COVID-19 outbreak in 2020.

Occupancy Rates of Retail and Office Properties in Mainland China:

Project	Total GFA (sq.m.)	Occupancy Rate	
		31 December 2021	31 December 2020
Chengdu Centropolitan			
Retail	43,000	77%	88%
Office	33,300	79%	90%
Chongqing Creative Concepts Center			
Retail	21,000	85%	82%
Shenyang Tiandi			
Retail	62,200	91%	88%
Tianjin Veneto Phase 1			
Retail	63,600	81%	72%

Amidst the challenging market conditions, we have built stronger and lasting ties with our tenants and achieved improving occupancies in most of our shopping malls during the year. In Chengdu Centropolitan, the negotiations with the replacement cinema operator is in the final stage. When concluded, the re-opening of the cinema will raise the mall occupancy by approximately 12.5% from 2022 onwards.

The leasing performance of our malls in Tianjin and Shenyang was adversely affected by the 'double reduction' policy, and some of the tenants engaged in education-related business terminated the leases in the second half of the year. Notwithstanding this, we still experienced further improvement in occupancies. However, the tightening anti-epidemic measures from time to time imposed by local governments, e.g. prohibition of large-scale activities in shopping malls, dented consumer sentiment and footfalls.

Occupancy of the office tower at Chengdu Centropolitan reached 98% in mid-2021,

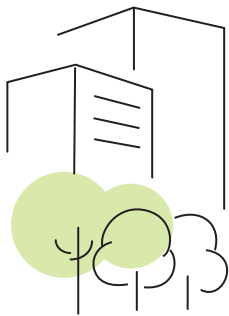
but declined to 79% at the year-end, after the move-out of several tenants with due compensation before expiry of the leases. Earlier this year, it bounced back to around 90% as market demand stabilised.

Asset Enhancement Initiatives

As the post-COVID-19 pandemic recovery in the Mainland economy takes shape, SOCAM has continued to enhance and reimagine the component attractions of the modern mall experience. We base this on research and experience and project forward to meet evolving consumer expectation and trends. Increasing footfall involves more than an exciting mix of retail offerings, but includes an experiential interface with online apps and offline provision of family-oriented open spaces and innovative fun features. Crucial to the mix is also surprise. We complement it with pop-up attractions of live music and entertainment. A feeling of excitement and expectation drives footfall that leads to increase in our rental income which, in turn, is an imperative of realising the potential value of our malls.

+ Tianjin Veneto Phase I recorded respectable growth in occupancy rate during the year





We continue with our transformation from local community malls to ones offering a greater range of family-friendly and lifestyle elements, such as experience platforms and recreational spaces for children. Dynamic promotional events and fun activities, including outdoor concerts and summer fiestas, were organised to boost retail sales and increase customer loyalty.

Property Sales

The Group recognised revenue of HK\$81 million and pre-tax profit of HK\$5 million from property sales for 2021, which were mainly contributed by the Tianjin Veneto Phase 2 and Nanjing Scenic Villa projects, as compared with HK\$433 million and HK\$122 million respectively for 2020.

In 2021, the Group contracted strata-title sales in Phase 2 of Tianjin Veneto amounting to RMB14 million, and recognised sales revenue of RMB43 million, comprising nine retail shops and 37 SOHO units, with

a total GFA of 2,967 square metres. As at 31 December 2021, out of a total of 486 retail shops and 184 SOHO units, sales of 204 retail shops and 169 SOHO units with respective total GFA of 7,793 square metres and 11,474 square metres were contracted for total sales amounts of RMB271 million and RMB128 million respectively.

The resurging waves of COVID-19 have noticeably dampened the investment sentiment for commercial properties generally, and sales of the retail shops in Tianjin Veneto Phase 2 suffered a loss of momentum during 2021. Considering the uncertain business environment ahead, the Group temporarily put up approximately 12,500 square metres GFA of the retail shops, which account for approximately 25% of the total saleable area, for lease, in the hope that the sold retail shops, augmented with the leased ones, will enliven the overall business atmosphere of the project, and give a boost to sales of the inventory.

Property Management

Effective March 2021, Shui On Properties Management Limited has changed its name to Pacific Extend Properties Management Limited (PEPM), as part of its repositioning strategy to diversify from the current focus on managing residential estates towards facilities management of commercial buildings to achieve a more balanced portfolio.

During the year, PEPM proceeded well with its various property management contracts as well as the 3-year facility management services contract for the Civil Aviation Department, and contributed stable income and cash flow to the Group. In addition, PEPM, riding on its expertise and experience in property management, has teamed up with other business operations of the Group to provide SFM services to clients in Hong Kong.

+ Implemented Asset Enhancement Initiatives in Shenyang Tiandi



Outlook

As we go deeper into 2022, the market environment is predicted to remain very challenging. SOCAM will ramp up efforts to consolidate our organisational structure and strengthen sustainability.

The global economic recovery continues into 2022 but looks set to decelerate amid COVID-19 variant flare-ups and supply bottlenecks in many places.

China's economy has returned to the pre-pandemic growth path, with daily life nearing normality, but the sporadic resurgences of the highly infectious variant across the country continue to weigh on the recovery momentum. The Central Government targets a slower GDP growth of around 5.5% for 2022, following the faster-than-expected expansion in 2021, as multiple headwinds gather. In the wake of the grave and complex external environment and weakening international market with rising protectionism and lingering supply chain issues, China will continue to boost domestic consumption under its 'dual circulation' strategy and provide more policy support in a bid to attain more vigorous and sustainable economic development going forward.

In Hong Kong, the latest wave of the Omicron variant, coupled with further tightening of various anti-epidemic measures since January 2022 have rigorously disrupted economic activities. The revival of the economy will hinge on the development of the local epidemic. We are cautiously optimistic that the recent wave of the epidemic will be contained shortly with the staunch support from our country, and the local economy will return to the recovery track. The new round of HK\$66 billion Consumption Voucher Scheme to be launched by the HKSAR Government will help boost local consumption and speed up economic recovery. In the medium term, the economic outlook for Hong Kong remains positive.

The HKSAR Government remains fully committed to addressing the imminent housing and healthcare issues of the community, and plans to take forward

the Northern Metropolis Development Strategy to transform the northern part of the city to boost land supply for housing, technology development and other industries. SOCAM stands to benefit from the increasing tender opportunities from the public sector in the coming years. While this remains the key focus for SOCAM, we have also been exploring new business initiatives that will best exploit our competitive edge, and embarked on the provision of smart facility management services. We believe that the facility management services business will be a major revenue driver for SOCAM in the future.

As we go deeper into 2022, the market environment is predicted to remain very challenging. SOCAM will ramp up efforts to consolidate our organisational structure and strengthen sustainability. We will expand our construction workforce by attracting younger talents, strengthen learning and development, and raise investment in nurturing our employees. We will further strive to raise our health and safety standards, design-and-build capabilities, and ESG commitment. In addition, the wider adoption of innovative technologies and increasing digitalisation of our operations will keep us some way ahead of mandated protocols.

The Group's shopping malls in the Mainland, which saw an improvement in occupancy and rental income last year, will seek to take advantage of our ongoing asset enhancement initiatives to boost the excitement of the tenant mix, increase customer footfall and improve rental performance further, and achieve sustainable asset-value growth in the longer run. All our efforts in operation streamlining will continue unabated, and cost-saving opportunities in all respects will be exploited. With the continuous improvement, we will remain alert to en-bloc disposal opportunities to create value for shareholders.

Financial Review

Financial Results

The Group's profitability achieved further growth for the year ended 31 December 2021, and reported a profit attributable to shareholders of HK\$76 million on a turnover of HK\$5,267 million, comparing with the profit of HK\$52 million and turnover of HK\$5,670 million for 2020.

The Board recommends the payment of a final dividend of HK\$0.07 per share for the year ended 31 December 2021 (2020: nil). Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid on or around 30 June 2022 to shareholders whose names appear on the Company's register of members on 15 June 2022.

An analysis of the total turnover is as follows:

	Year ended 31 December 2021 HK\$ million	Year ended 31 December 2020 HK\$ million
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	4,936	5,042
PRC property	195	525
Hong Kong property management	136	103
Total	5,267	5,670
Joint ventures		
Cement and others	9	9
Total	5,276	5,679

Turnover from the construction and building maintenance work was steady on a strong order book. The increase in turnover from maintenance contracts was offsetting the reduction in turnover recognised for the construction contracts. Revenue from the property business decreased to HK\$195 million, from HK\$525 million in the prior year, since much lower

sales revenue was recognised for the handover of the retail shops and SOHO units in Phase 2 of the Tianjin Veneto project during 2021. In addition, the property management business in Hong Kong contributed HK\$136 million and HK\$103 million revenue to the Group in 2021 and 2020, respectively.

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

	Year ended 31 December 2021 HK\$ million	Year ended 31 December 2020 HK\$ million
Construction	511	456
Property		
Profit on property sales	5	122
Net rental income	26	4
Fair value changes on investment properties, net of deferred tax provision	(110)	(115)
Impairment loss on property inventories	(4)	(15)
Acquisition of remaining interest in subsidiaries	-	(13)
Disposal of interest in Dalian Tiandi	6	5
Hong Kong property management	17	16
Net operating expenses	(64)	(76)
	(124)	(72)
Net finance costs		
- Senior notes	(87)	(119)
- Bank and other borrowings	(54)	(51)
Corporate overheads and others	(62)	(75)
Release of cumulative exchange gains upon deregistration of foreign subsidiaries	21	-
Net foreign exchange gains	73	169
Taxation	(103)	(169)
Non-controlling interests	(99)	(87)
Total	76	52

Construction

The construction business posted higher profit for the current year, notwithstanding a decrease in turnover. Average net profit before tax margin was 10.4% of turnover, which was above the 9.0% margin in the previous year, largely due to (i) profit upward adjustments with respect to certain construction projects completed in the current and prior years being taken up in the current year; and (ii) the increased contribution from the maintenance business.

Property

The property division continues to enhance performance of the shopping malls and to streamline the organisation structure, which saw further

improvement in operating results against the previous year. Net rental results of the shopping malls of the Group increased steadily in 2021 amid the gradual recovery from the COVID-19 pandemic and much reduced concessions offered to tenants comparing to the prior year. In addition, occupancy of the shopping malls was generally improving in 2021.

At 31 December 2021, the Group's investment properties were valued at HK\$4,719 million. Excluding the effect on the appreciation of the Renminbi against the Hong Kong dollar in the current year, there was a 2.8% 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.

Management Discussion and Analysis

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

Net finance costs

In January 2020, the Company issued US\$180 million 6.25% senior notes due January 2022 to finance the repayment of the US\$ senior notes matured in May 2020, which caused higher finance costs on the US\$ senior notes incurred in 2020. As such, total net finance costs were decreased to HK\$141 million, from HK\$170 million in the previous year.

Assets Base

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

	31 December 2021 HK\$ million	31 December 2020 HK\$ million
Total assets	9,582	9,750
Net assets	3,264	3,132
	HK\$	HK\$
Net asset value per share	8.7	8.4

Total assets of the Group decreased slightly to HK\$9.6 billion at 31 December 2021, from HK\$9.8 billion at 31 December 2020. The increase in net assets of the Group was principally attributable to the HK\$76 million profit for the year and the appreciation of the Renminbi against the Hong Kong dollar resulting in the increase in the translation reserve of HK\$118 million.

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

	31 December 2021 HK\$ million	%	31 December 2020 HK\$ million	%
Construction	2,145	22	2,211	23
Property	6,830	72	6,954	71
Corporate and others	607	6	585	6
Total	9,582	100	9,750	100

The proportion of total assets of each business segment remained relatively stable at 31 December 2021, when compared with that at 31 December 2020.

Net foreign exchange gains

During 2021, the Renminbi and the United States dollar registered a 2.9% and 0.6% appreciation against the Hong Kong dollar, respectively. These resulted in net foreign exchange gains totalling HK\$191 million for the current year, of which HK\$73 million and HK\$118 million were recognised in the consolidated statement of profit or loss and the consolidated statement of financial position respectively, comparing with the foreign exchange gains of HK\$169 million and HK\$244 million respectively for the previous year.

The completion of the deregistration of certain foreign subsidiaries has enabled the release of cumulative foreign exchange gains of HK\$21 million previously included in the translation reserve to profit or loss in 2021, pursuant to prevailing accounting standards.

Equity, Financing And Gearing

The shareholders’ equity of the Company increased to HK\$3,264 million on 31 December 2021, from HK\$3,132 million on 31 December 2020, 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\$1,530 million on 31 December 2021, as compared with HK\$1,590 million on 31 December 2020.

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

	31 December 2021 HK\$ million	31 December 2020 HK\$ million
Bank borrowings repayable:		
Within one year	934	1,037
After one year but within two years	762	215
After two years but within five years	81	494
After five years	41	69
Total bank borrowings	1,818	1,815
US\$ senior notes	1,227	1,258
Total bank and other borrowings	3,045	3,073
Bank balances, deposits and cash	(1,515)	(1,483)
Net bank and other borrowings	1,530	1,590

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. In October 2021, the Group obtained a 3-year term bank loan facility of HK\$1.3 billion at a lower cost to finance the repayment of the senior notes, which was fully repaid upon maturity in January 2022.

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders’ equity, decreased to 46.9% at 31 December 2021, from 50.8% at 31 December 2020, mainly attributable to the increase in equity during the year.

Treasury Policies

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

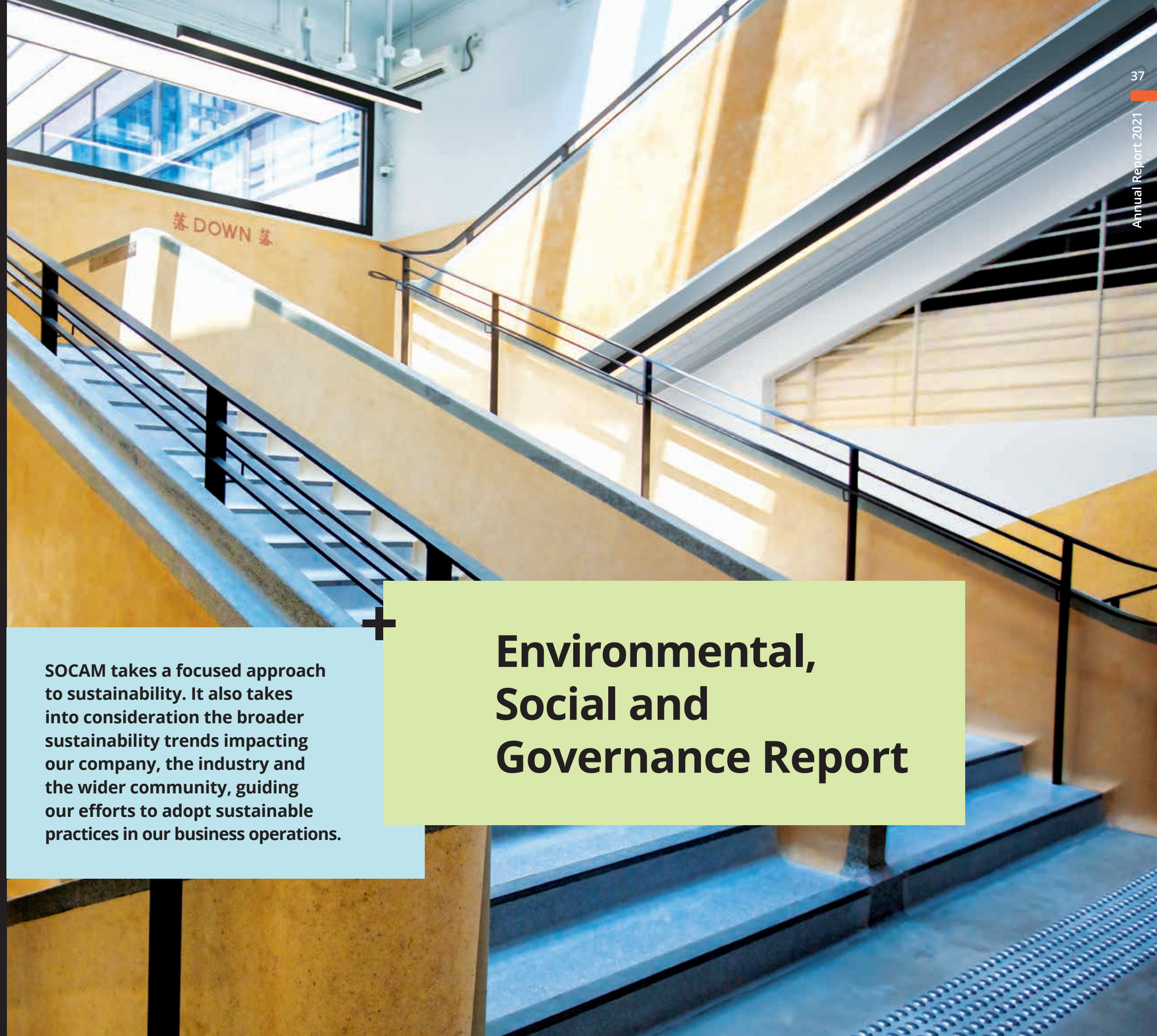
The Group’s bank borrowings are mainly denominated in Hong Kong dollars and have been arranged on a floating-rate basis. Investments in Mainland China are partly funded by capital already converted into Renminbi and partly financed by borrowings in Hong Kong dollars. Renminbi financing is primarily at project level where the sources of repayment are also Renminbi denominated. Given that income from operations in Mainland China is denominated in Renminbi and property assets in Mainland China

are normally priced in Renminbi on disposal, the Group expects that the fluctuations of the Renminbi in the short-term will affect the Group’s business performance and financial status. It is the Group’s policy not to enter into derivative transactions for speculative purposes.

Employees

At 31 December 2021, the number of employees in the Group was approximately 1,867 (31 December 2020: 1,811) in Hong Kong and Macau, and 347 (31 December 2020: 370) 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.

p.38	 Sustainability Strategy
p.40	 ESG Governance
p.41	 Stakeholder Engagement and Materiality
p.42	 Better Economy + Innovation and Technology + People and Talent Development + Operational Excellence
p.50	 Better Environment + Climate Change + Managing Environmental Impacts + Sustainable Procurement
p.58	 Better Community + Health and Safety + Community Involvement
p.64	 Performance Data Summary
p.66	 ESG Content Index



SOCAM takes a focused approach to sustainability. It also takes into consideration the broader sustainability trends impacting our company, the industry and the wider community, guiding our efforts to adopt sustainable practices in our business operations.

Environmental, Social and Governance Report

Better Tomorrow 2021-2030

Reporting Scope and Boundary

The Environmental, Social and Governance (ESG) Report reaffirms the Group's commitment to sustainability, and covers the efforts and performance of Construction Division, Maintenance Division, Interior Fitting-out Division, and Property Division of the Group in ESG aspects for the period from 1 January 2021 to 31 December 2021. The environmental data are collected from the Hong Kong headquarters, 7 major construction projects, 8 interior fitting out projects and 16 maintenance projects in Hong Kong, and 4 property projects in the Mainland China.

This report discloses the Group's ESG performance in compliance with the HKEX ESG Reporting Guide. While we continue to apply the Reporting Principles of Materiality, Consistency, Quantitative and Balance in preparing our ESG report, we have taken further steps this year to integrate the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in our reporting.

Sustainability Strategy

SOCAM has been in the construction business in Hong Kong for more than 50 years. A generation ago, all construction projects involved a negative environmental footprint: noise, dust, emissions from on-site machinery and a general blight on the neighbourhood.

Today, our smart-site protocols driven by innovation and technology, would be unrecognisable to engineers and personnel of that time. SOCAM is an early adopter of computer modelling that now consolidates every component of the construction process and is calibrated to need-to-know progress from design to completion, and is now a key industry practitioner in reducing carbon emissions and construction waste. This is allied to our design-and-build expertise in creating buildings and dynamic community facilities that are energy-efficient and sustainable.

This is just one imperative in a total corporate commitment to making sustainability our cornerstone. In 2020, SOCAM set up a Sustainability Steering Committee to oversee every aspect of our efforts and societal contribution. This was codified in a sustainability strategy for the next ten years. Our 'Better Tomorrow 2021-2030' is a multi-faceted determination that is at the core of all SOCAM sets out to achieve.

Better Economy

To contribute to economic growth and support the long-term development of the Company's businesses through innovation and talent development.



Decent Work and Economic Growth



Industry, Innovation and Infrastructure



Partnerships for the Goals

Better Environment

To address climate change by reducing carbon emissions and creating a sustainable supply chain.



Sustainable Cities and Communities



Responsible Consumption and Production



Climate Action

Better Community

To enhance safety and wellbeing among employees, and foster a caring culture to create long-term value for the society.



No Poverty



Good Health and Well-being

Purpose

SOCAM embarked on the Company's first sustainable development strategy "Better Tomorrow 2021-2030", setting the sustainability blueprint, vision and target, and guide our efforts for adopting sustainable practices in all business operations. Powered by the full strength of our team, our mission is to become a sustainable and resilient business through continuous innovation, creating more opportunities and positive impact for our employees and stakeholders.

Mid-Term Targets

As an important step towards alleviating climate-related environmental impacts and to deliver our sustainability commitment, we have set our mid-term targets 2024:

↑ Social Investment Value

✓ Top Choice of Employer

↓ 25% of Carbon Emissions

↓ 25% of Waste

↓ 35% of Accident Rate

↑ 25% Overall Training Hours

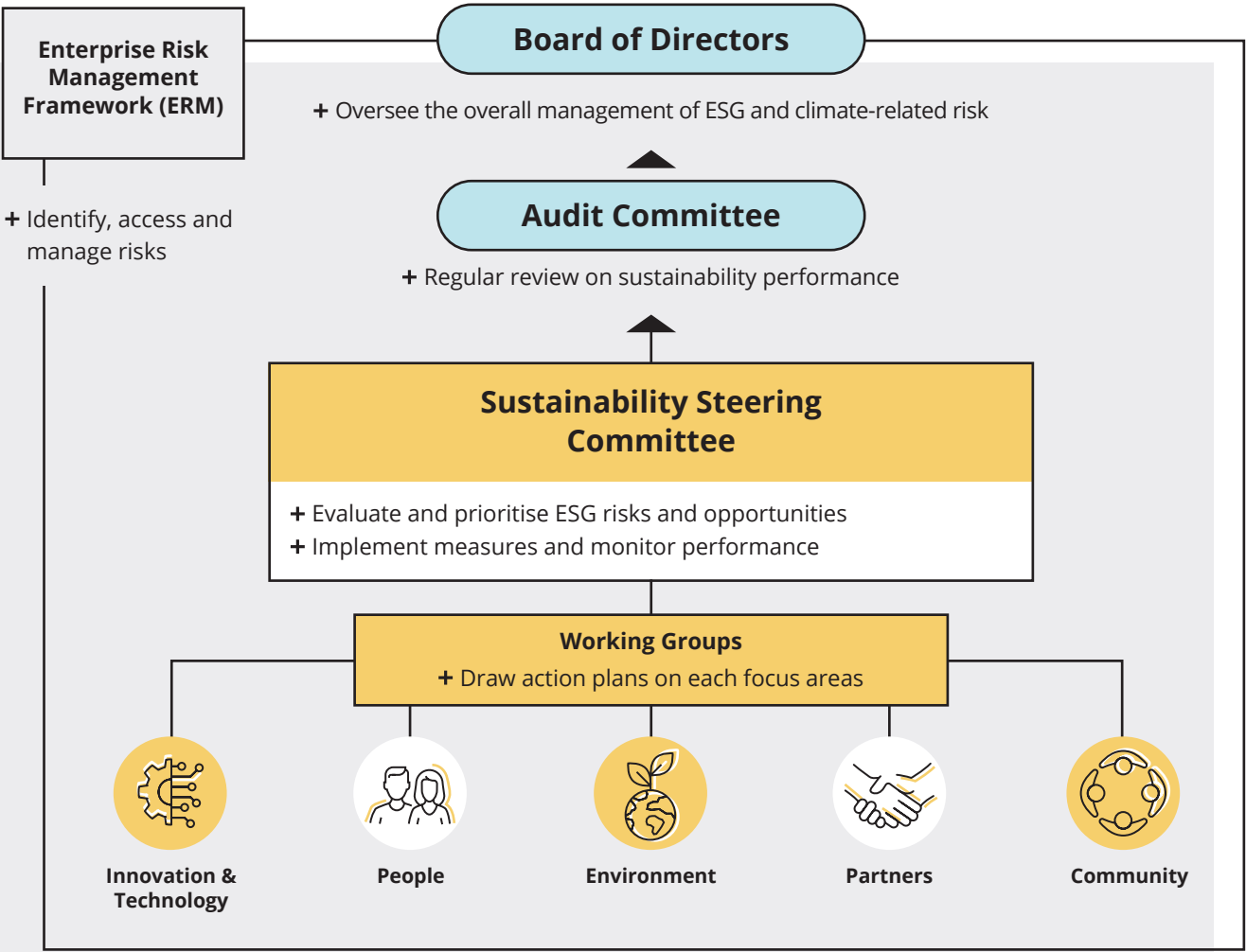
ESG Governance

SOCAM's ESG performance is overseen by the Group's Sustainability Steering Committee, comprising CEO and different business and functional unit heads, and supported by five working groups to push for ongoing improvement in the areas of ESG. The Sustainability Steering Committee will implement measures and monitor performance on a regular basis, and take stakeholders' feedback into consideration to achieve significant and continuous improvement.

Reporting to the Audit Committee bi-annually, the Committee is tasked with evaluation and prioritisation of material ESG risks and opportunities. The Group has in place an Enterprise Risk Management (ERM) framework to identify, assess, and manage key risks effectively. The Board, through the Audit

Committee, oversees the overall management of ESG and climate-related risks, and reviews the risk of a business continuity disruption and exposure to reputational concerns due to climate-related matters in alignment with Task Force on Climate-related Financial Disclosures recommendations. The framework enables us to adopt a structured approach to identifying and managing risks across the organisation, with on-going monitoring and review in place.

The Board is updated regularly by the Audit Committee on matters relating to sustainability management performance of the Group against ESG-related targets, and key material issues identified by stakeholders. The Group has a sustainability policy in place, and the Committee will evaluate the policy regularly to provide all the necessary resources and expertise to implement this policy effectively.

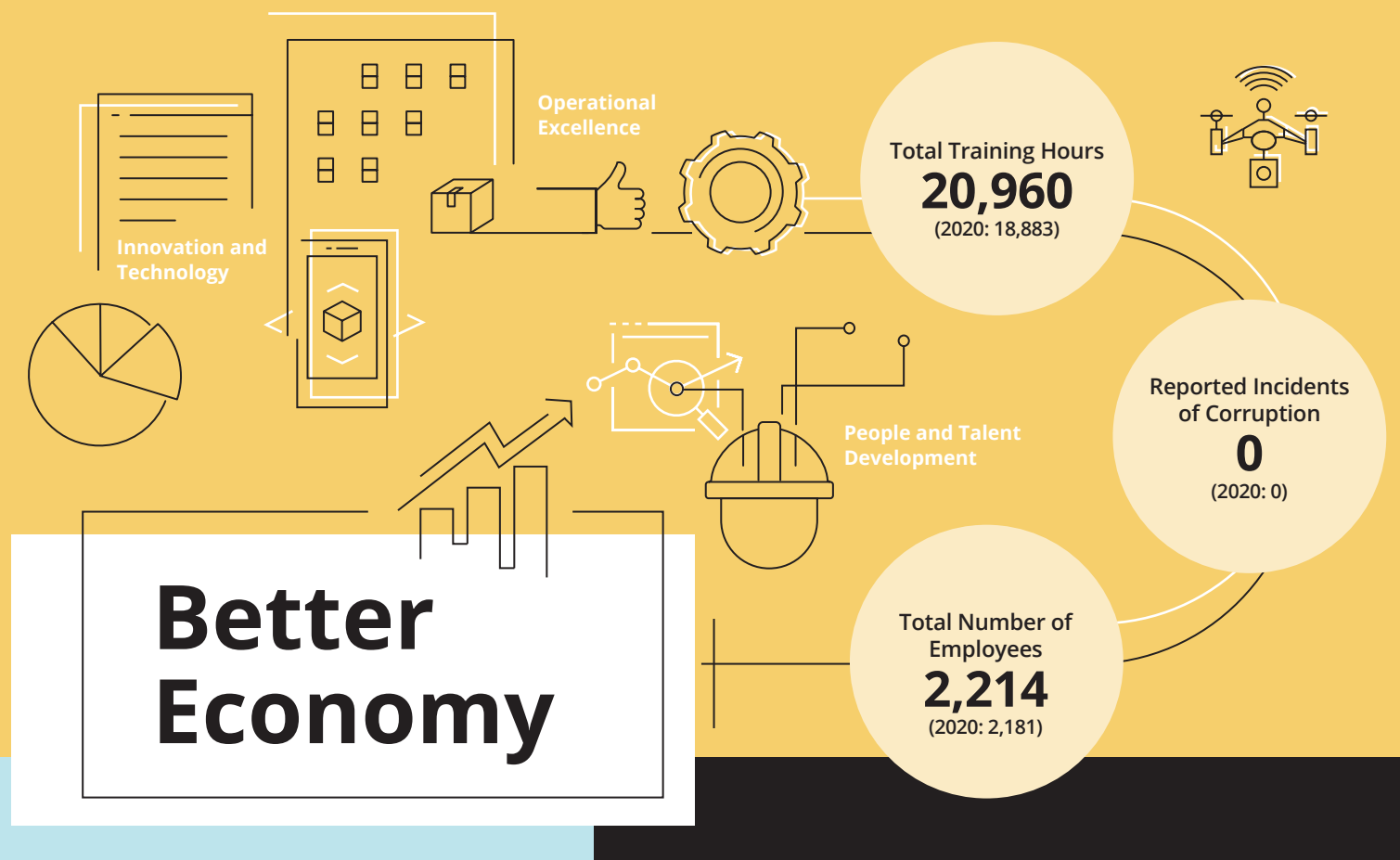


Stakeholder Engagement and Materiality

As part of our continual efforts to ensure a focused approach towards sustainability, SOCAM conducted a materiality assessment in 2020 – the process of defining the social and environmental factors that most impact our business philosophy and operations, and constantly reviewed by our Sustainability Steering Committee. This is refined into a quantifiable exercise in prioritisation. It also takes into consideration the broader sustainability trends impacting our company, the industry and the wider community. The list of identified materiality topics that was reviewed during the year and validated by our Sustainability Steering Committee is shown here, and our action taken in 2021.

- Transparency
- Health and Safety
- Energy Efficiency and Carbon Emissions
- Talent Development
- Environmental Compliance

Better Economy	Better Environment	Better Community
Material Topics / Key Areas		
+ Transparency + Talent development	+ Environmental compliance + Energy efficiency and carbon emissions	+ Health and safety
Stakeholders Groups		
+ Shareholders and investors + Regulatory institutions	+ Sub-contractors and suppliers + Clients, buyers & tenants	+ Employees + Community
Risk / opportunities		
+ As a responsible enterprise, maintaining full compliance and upholding ethical standards are the basics for building trust with our stakeholders + To harness our employees in order to react swiftly to fast-changing industry trends, risks and opportunities	+ As environmental policies become more stringent, we have to respond quickly to regulatory changes through exploring new technologies and enhance environmental management so as to mitigate the compliance risks	+ To maintain high safety standards for our workforce, and continue to place emphasis and resources in striving towards a minimal accident rate at our sites
Action undertaken in 2021		
+ Reinforced our commitment to integrity, and conducted training courses for all employees to share the best practices for preventing corruption + Disclosed climate-related risks aligning with TCFD recommendations + Set up learning management system to encourage e-learning, with approximately 75% of the total workforce completed more than one e-learning course	+ Applied advanced energy storage system to reduce our diesel fuel consumption by 61%, or carbon emissions by 496 tonnes + Partnered with energy experts to set up an intelligent control platform, saving energy consumption by 22% annually	+ Adopted AI technology on-site to instantly monitor unsafe movement and excavator operation, minimising possible safety hazards



Crucial to maintaining SOCAM's competitiveness and long-term growth is constant technology innovation and adoption, as well as attracting and retaining talented personnel. This also requires close collaboration with our partners and sub-contractors in the adoption of digitalisation and sustainable building technologies; and practical integration in construction practices.

Innovation and Technology

Among the Group's more recent adoptions of advanced technologies are Building Information Modelling (BIM) and the Modular Integrated Construction (MiC). Embracing technology enhances the Company's productivity and quality assurance while improving site safety and environmental impacts. In essence, this practice is in line with the 'Construction 2.0' proposed in the Chief Executive's Policy Address in 2018, promoting the industry's innovation, professionalisation and revitalisation.



Building Information Modelling (BIM)



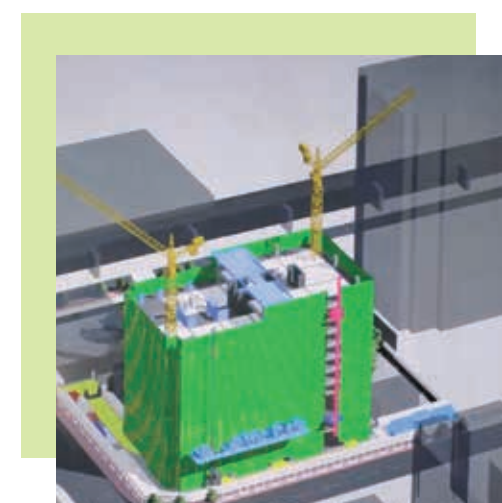
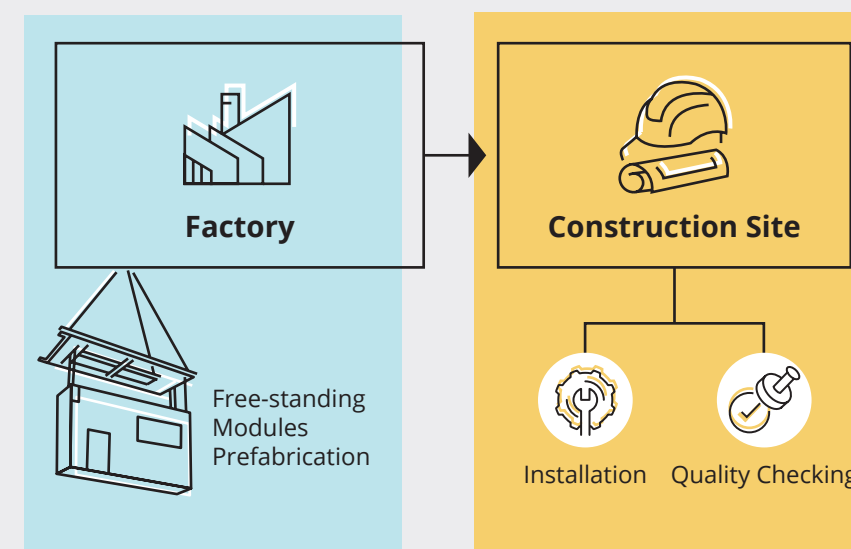
Modular Integrated Construction (MiC)



Digitalisation

Construction Technology

The Multi-welfare Services Complex in Area 29 of Kwu Tung North is SOCAM's first construction project with full MiC application, providing residential care places for the elderly and rehabilitation service facilities. Adopting the MiC methods, by which floor space is broken down into units – modules – and built in the factory to be assembled on-site. Free-standing modules with finishes, fixtures and fittings are prefabricated in the factory and then transported to the site for trial, installation and quality checking. The project is scheduled for completion in 2022.



+ Increasing built digital and robotics capabilities

MiC technology provides great flexibility to the construction process. Installation of interior fixtures and fittings are separated from piling and foundation works. Modules are constructed in the factory, further boosting efficiency and productivity. With the aid of MiC technology, the construction period has shortened to 28 months, which helps to expedite the delivery of a comfortable home to 1,750 elderlies and rehabilitation facilities to those in need.

Such off-site construction provides workers with a safer and more pleasant working environment, alleviating the hardship of working outdoors and adverse weather, and mitigating the safety hazards of falling from heights. In addition, MiC performs well in environmental protection by reducing construction waste and minimising the impact of dust and noise.

Although MiC is still at an early stage in Hong Kong, its full application in this project puts the Group in a leading place in the move toward sustainable construction with advanced technology.



Expanding the application of BIM

Improving Project Management by BIM

Digitalisation is a key sustainability enabler. SOCAM always attaches utmost importance to technological advancement and has expanded the application of new technologies to raise operational efficiency and reduce cost. BIM is a process that facilitates generation and management of building data, covering the entire life cycle of the building, from designing to planning, construction landscaping and the end-use environment.



The Kwu Tung North Multi-Welfare Services Complex

We also adopted Building Information Modelling (BIM) on planning the construction of the eight-storey Multi-Welfare Services Complex in Area 29. The complex structure is precisely presented in 3D simulation so that the engineering team can foresee potential problems and control the whole construction process at the early stage. It also significantly improves site safety and operational efficiency.



The 3D simulation of the modules interior space

The Central Market Revitalisation Project

- The Central Market Revitalisation Project is the first urban renewal project of SOCAM to fully apply BIM technology. As Central Market is a Grade Three historic building, SOCAM applied BIM technology to enhance project management and minimise potential damages to the building, enabling a smoother construction and restoration process.
- The project was completed in late 2020 and the grand reopening in August 2021 marked the success of the revitalisation of the building.

SOCAM continues to promote the application of BIM, an important milestone in sustainable development practices in the construction industry, and improve its in-house design and technical capabilities. Further resources will be invested to strengthen the building information modelling team, so as to promote wider application of relevant technologies in construction and interior decoration projects. For instance, 3D laser scanning was introduced during the year, allows surveyors to provide as-built surveys which improve productivity by identifying potential problems early in the design to construction phase.

To facilitate site monitoring we adopted Matterport technology in our construction projects. Matterport is a leader in virtual tours technology that creates accurate 3D models of the space, allowing our clients and partners an immersive experience of the actual environment and enabling progress review, spot-checking and necessary amendments. It greatly enhances efficiency in documentation and collaboration.

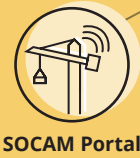
Other initiatives adopted during the year include using drones in surveying and monitoring construction progress to increase the efficiency of operation, and implementing Radio Frequency Identification (RFID) technology to manage and track materials which help reduce material wastage.

Digitalisation

Digitalisation has also become essential for enhancing efficiency and communication and the process has especially accelerated after the COVID-19 outbreak. In response, SOCAM has scaled up its move towards paperless working and process optimisation.

We have developed innovative new systems to steer our operations towards computerised and technology-driven. Company-wide digitalisation programmes including "SOCAM Portal", "Business Process Management System" and e-Signature continued during the year. Internal digital forms including the HSE eForms and ePermit, were developed, managing about 1,600 electronic transaction per month, processing 18,000 electronic transactions. The eTender System and Management Portal (Construction) were rolled out to achieve process optimisation and provide analytical data for insights generation.

In parallel, we boosted our investment in upgrading equipment and computer software to increase digital performance. In total, HK\$3.5 million was allocated to purchase 350 computers, including laptops and iPads for front-line colleagues.



SOCAM Portal



Business Process Management System



HSE eForms and ePermit



eTender System



Management Portal (Construction)



People and Talent Development

Talent development has always been a central focus. We put in significant efforts in attracting and retaining the best-fit talents and create rewarding career pathways, from knowledge know-how, industry expertise to gainful employment.

Aspiring to be an employer of choice, we put a special emphasise on life-long learning. During the year, we elevated our e-training and development capabilities, recording a total of 20,960 hours of training, an increase of 11%. Through different training programmes and activities, we strive to provide employees a caring and comfortable working environment, thus safeguarding their health and well-being.

In 2020 we established a talent development programme targeting high potential talents with at least five years of service with SOCAM. Employees from both project and general management level joining the programme are designated to be trained as

future management team. They are provided with job expansion opportunities across departments and business segments over 18 months. In 2021, 15 employees participated in this programme.

The staff voluntary turnover rate was 13.1% during the year, compared to 9.3% in 2020. In the face of intensifying competition for talents in the recent years, we implemented a number of measures beyond just monetary rewards and improved work conditions. We launched diverse professional training and opportunities tailored for middle project management teams, and Leadership Forum led by the Chairman.

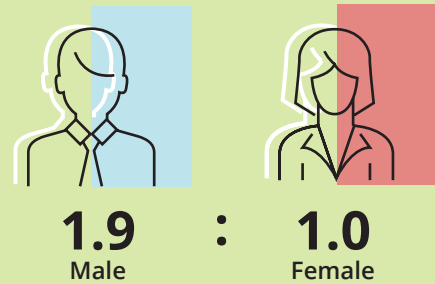


+ Multi-function room specially designed for staff working at sites

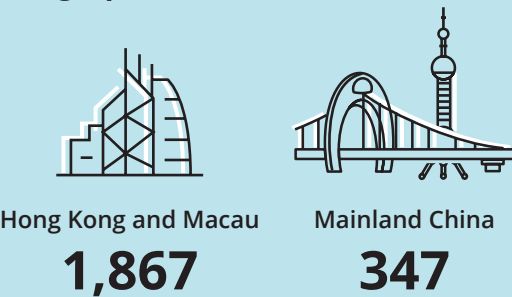
Our Workforce

As of 31 December 2021, we employed 2,214 people in total, of which 1,867 were based in Hong Kong and Macau and 347 based in cities of Mainland China. The male to female ratio is approximately 1.9:1.0.

Gender Ratio



Geographic



The construction industry is challenged by an ageing workforce and change in skills required. With this in mind, we continued to move forward with our Graduate Engineer Programme to attract young talents from the market. Our Graduate Engineer Programme targets fresh engineering graduates with potential to take on project management tasks. Job rotations and leadership training are promoted so that they can get familiar with diverse operations. In 2021, five engineering graduates and 10 interns joined our Graduate Engineer Programme and Internship Programme respectively.

During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and preventing child or forced labour.

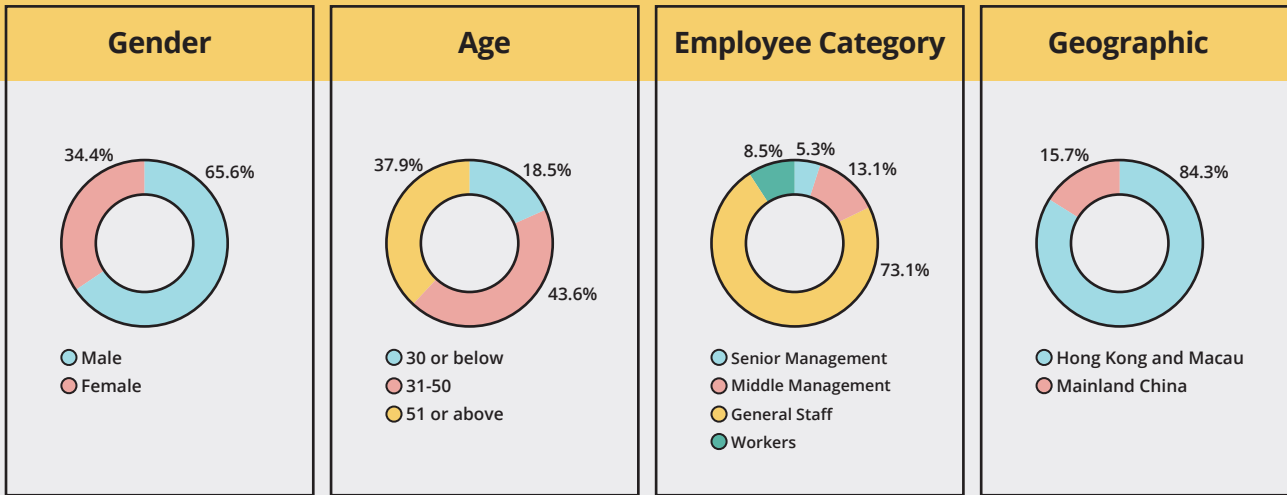


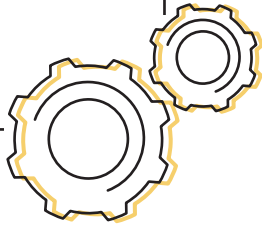
+ Learning Management System for employee's self-learning

Learning and Development

Our face-to-face training was affected by COVID restrictions during the year, requiring a switch to digital platforms. We launched a Learning Management System (LMS) in early 2021 to enable self-learning with 26 courses offered. Approximately 75% of the total work force completed more than one e-learning course.

To enhance the sharing of the application of new technology, a Learning Gallery was organised and a digital panel was established to promote the sharing of progress and achievements. We held a Discovery Camp in 2021 to replace the usual management conference for Construction Division, and invited the middle management and young professional staff to encourage innovative approaches and drive collaborative change.





Operational Excellence

SOCAM strives to conduct business in a spirit of integrity and fair play. We pursue operational excellence by providing high quality buildings, and infusing accountability in our supply chain.

Delivering High-Quality Buildings

SOCAM aims to create value for clients, tenants and communities. Our buildings are designed and built to provide high functionality and to lift the spirits.

We have integrated ISO9001:2015 Quality Management System certification into our operations, while Health, Safety and

Environment (“HSE”) Policy and Quality Policy are in place to ensure compliance with relevant industry standards. Department heads regularly conduct site inspections at each construction project for quality, health and safety and progress assessment. At site level, the Environmental Team conducts regular inspections and held meetings to manage the daily operations. Communication channels are in place to handle general enquires and customer complaints in accordance with the project plan. During the year, we did not receive any material complaints related to our projects.

Number of Suppliers and Sub-contractors



105
Property in Mainland China



741
Construction in Hong Kong



283
Interior Fit-out in Hong Kong and Macau

Supply Chain Management

Construction industry involves a complex supply chain, and hence our supply chain partners are essential to our success. During the pandemic, our focus in 2021 was to keep suppliers and sub-contractors safe. We proactively engage and communicate our requirements to supply chain partners on operational procedures. Review meetings with sub-contractors are also organised on a weekly basis on the latest HSE updates and policies.

With an extensive supply chain comprising materials and product suppliers, sub-contractors for construction and property management agencies, maintaining an effective communication are the key to promote responsible practices among our major suppliers.

The Group’s procurement department has standardised procedures to select, evaluate, supervise and review the performance of suppliers and sub-contractors. Assessments are conducted quarterly to review the quality of materials, progress of work, site safety, environmental protection performances and wage payments. Site management teams are required to commit to the highest service standards, and ensure emergency preparedness plans are in place.

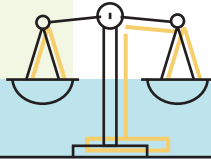
Ethics and Integrity

Integrity is the key to maintaining trust and long-term relationships with stakeholders. Over the years, our Shui On Culture has cultivated a set of shared beliefs on which all our policies and actions are based. Through engaging employees, business partners and suppliers, we ensure that we conduct our business in a spirit of fairplay.

The Management is fully committed to enforcement of our code of business ethics and to ensuring employee knowledge and compliance. A business ethics policy, whistle-blowing policy and staff handbook are in place to maintain and enhance employee awareness and understand their rights and obligations.

We constantly work with the Independent Commission Against Corruption (ICAC) to organise staff training to strengthen employee awareness of ethics, in order to share the best practices for preventing corruption. In 2021 we launched e-learning programmes on anti-corruption and integrity, and made business ethics a compulsory topic in our new staff orientation programmes. Sessions were also arranged for the Board of Directors to update the latest trend and best practices, to continuously improve the standards of business ethics.

During the year, the Group’s operations complied with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering.



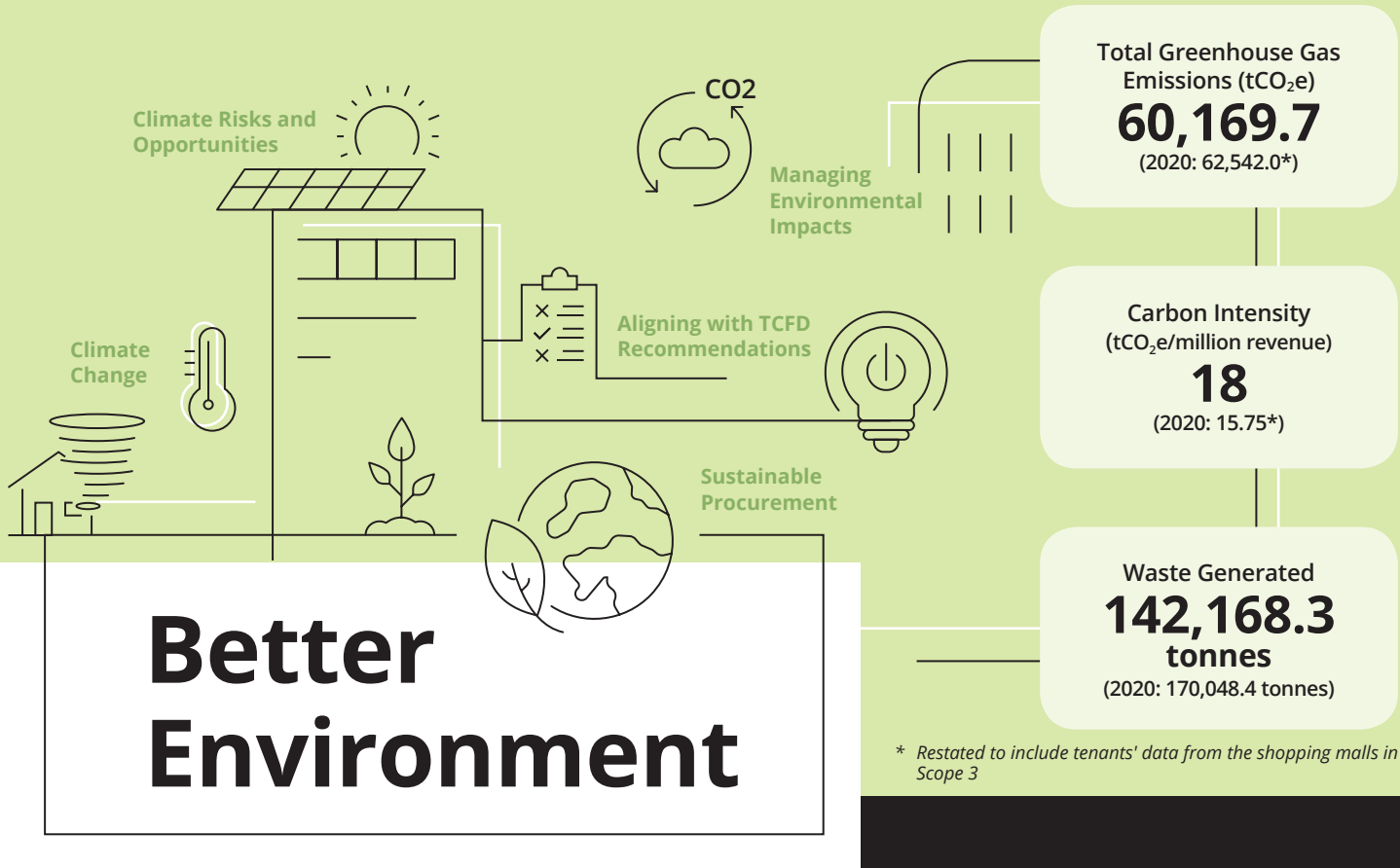
Data Security and Confidentiality

Data is one of the most vital assets of business today. We are aware that policies and protocols will enable maintenance of security and privacy across our entire operations. In 2021, SOCAM obtained ISO/IEC 27001 certification for Information Security Management Systems to provide us with controls over possible cyber-attacks or data breaches, and maintained the highest standards of protecting the confidentiality and integrity of sensitive data.

During the year, the Group was not aware of any incidents of non-compliance with laws and regulations that could have had any significant impact on the Group concerning health and safety, advertising, signage or any other related matters.



Accredited with ISO 27001 Information Security Management Systems certification in 2021

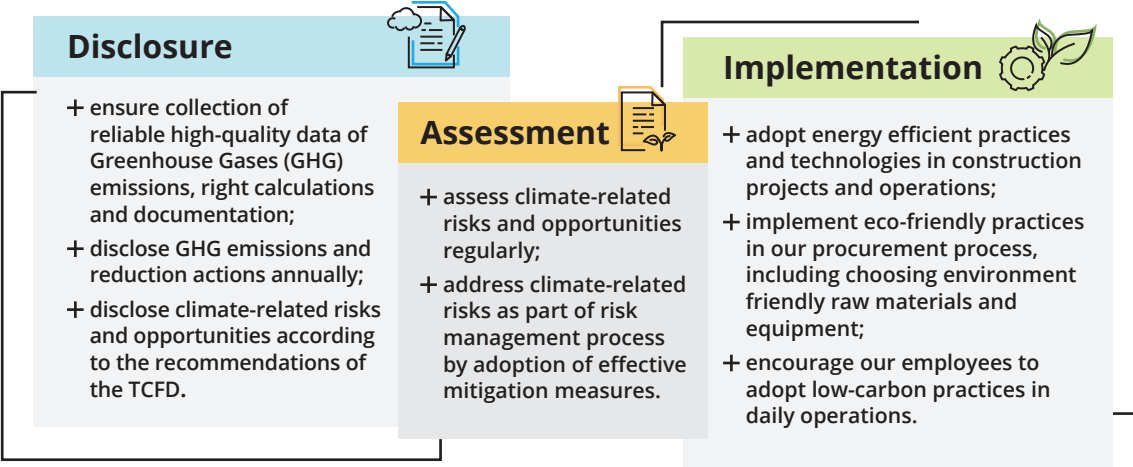


The Group is ever-diligent in exploring environmental sustainability solutions, to reduce our carbon footprint through energy and waste reduction and, with recycling, our resource consumption. Addressing a more localised responsibility, we make every effort to minimise our neighbourhood construction presence in terms of noise, dust and heavy-vehicle activity.

Climate Change

Buildings, materials manufacturing and construction processes account for 90% of electricity used in Hong Kong, generating over 60% of Hong Kong's carbon emissions. There are two primary types of carbon emissions generated by the construction industry: first, from manufacturing, transporting and installing construction materials; second, from energy consumption.

With our climate change policy in place, the Group is determined to play our part in mitigating climate change, from on-site practices to office protocols, adapting our construction process to achieve our reduction targets.









Aligning with TCFD Recommendations

Globally stakeholders are paying increasing attention to issues related to climate change, SOCAM took another step forward in carbon reduction efforts to address the potential risks and opportunities. To enhance our climate-related disclosures, we began to follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) this year, focusing on: "Governance", "Strategy", "Risk Management" and "Metrics and Targets".

Areas	Actions Taken
 Governance	Board's Oversight and Management's Role <ul style="list-style-type: none">+ Chaired by the CEO, the Sustainability Steering Committee identifies and assesses ESG-related risks and opportunities, including climate-related issues. The Sustainability Steering Committee reports bi-annually to the Audit Committee which oversees ESG matters and managing goals and targets.+ We have formulated a Climate Change Policy to guide our management approach to climate-related issues.
 Strategy	Climate-related Risks and Opportunities <ul style="list-style-type: none">+ We are aware of the risks of extreme weather and floods caused by climate change as these can damage our construction sites and facilities. In the long term, prolonged extremely hot weather also poses health risks to workers.+ We are also aware of transitional risks, such as changing policies, potential increment in energy costs, and the need for green building technologies.+ We have identified some opportunities in the transition to a low-carbon economy, such as reduction in operating costs due to higher energy usage efficiency facilitated by technology advancement.
 Risk Management	Climate Risk Assessment <ul style="list-style-type: none">+ We assess the physical and transitional risks climate change can bring to our operations, and incorporate them into our sustainability strategy. Our risk management and internal control system take into consideration the ESG and climate-related issues.
 Metrics and Targets	Carbon Emissions and Reduction Target <ul style="list-style-type: none">+ To monitor our performance, we have been measuring and disclosing our energy consumption and Scope 1, 2 and 3 emissions.+ We have set a target of reducing our GHG emissions intensity by 25% by 2024. Our efforts in energy saving and carbon footprint reduction are described in detail in the "BETTER ENVIRONMENT" section.

Climate Risks and Opportunities

We have identified climate risks and opportunities that are relevant to our business operations, and the actions taken, as below:

Type	Risks/Opportunities	Potential Financial Impacts	Our Actions	Corresponding Section
Physical risks				
Acute	 Frequent Extreme Weather	+ Extra cost may incur due to disruption of project completion + Increased costs due to damage of structures and facilities	+ Conduct emergency drills and specialised training for employees	+ Health and Safety
Chronic	 Prolonged period of extreme hot weather	+ Higher manpower costs because of increased health issues	+ Implement measures during times of extremely hot weather	+ Health and Safety
Transitional risks				
Policy and Legal Risks	 More stringent government policies for decarbonisation	+ Increased cost of compliance and operation	+ Set a carbon reduction target	+ Carbon and Waste Reduction
Technology Risks	 Intensified competition in green building construction	+ Reduced revenue due to competition	+ Adopt sustainable construction technologies	+ Innovation and Technology
Opportunities				
Resource Efficiency	 Improved resource efficiency in response to market demand	+ Reduced operating costs due to resource conservation	+ Implement energy-saving initiatives and digitalisation + Promote industry best practices	+ Innovation and Technology + Managing Environmental Impacts
Products	 Advancement in green building technologies	+ Increased revenue through low emission infrastructure + Increased revenue with strengthened capabilities	+ Increase the use of renewable energy	+ Managing Environmental Impacts

Managing Environmental Impacts

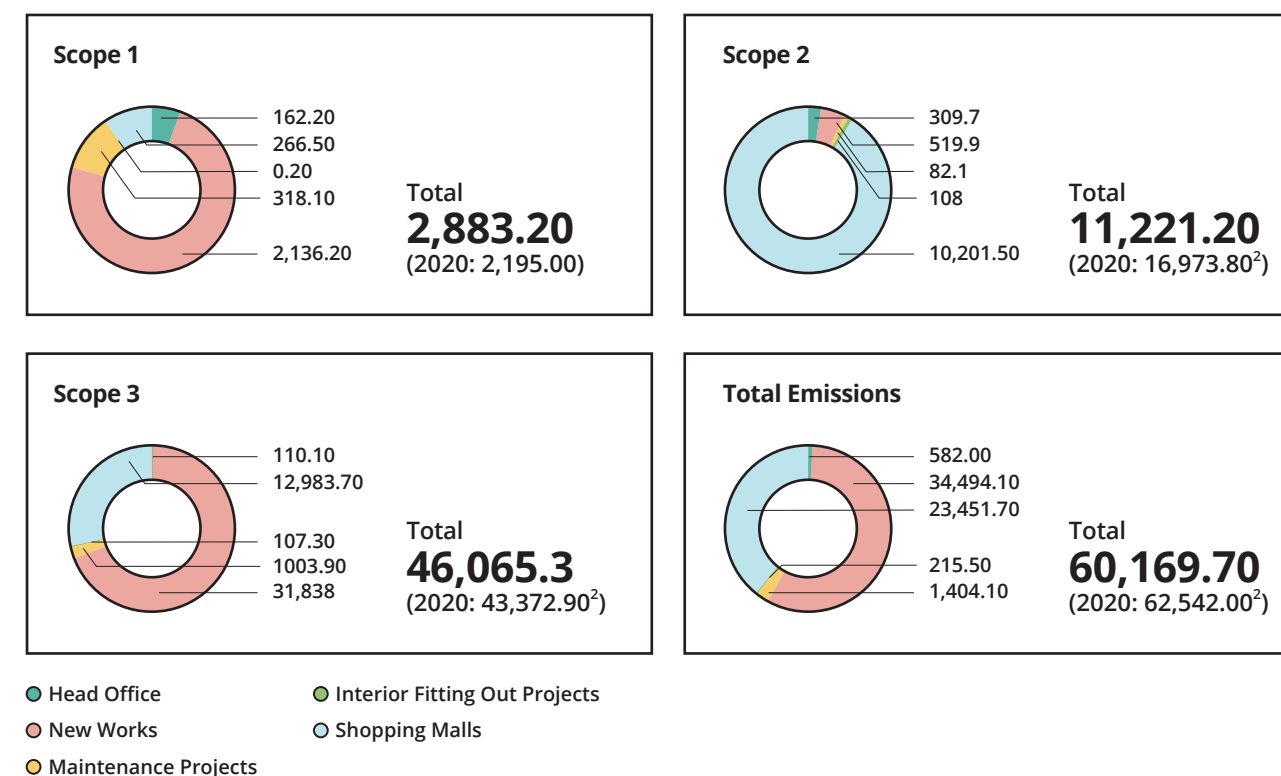
We have been tracking our energy consumption and carbon emissions closely since 2013. With our target set to reduce 25% of carbon footprint by 2024, in line with Hong Kong's goal for carbon neutrality by 2050, we are determined to identify and implement innovative solutions in partnership with our clients and partners in moving towards a cleaner and more sustainable source of energy.

Our annual carbon emissions are much influenced by the project development cycles, as we are involved in a range of

projects that vary in scale and stages of work progress every year. We are fully aware that more efforts are needed as we continue to manage and improve our reduction plans in order to meet our carbon reduction target in 2024.

Below table shows our carbon emissions in 2021 from different business segments. During the year, the total carbon emissions amounted to approximately 60,169.7 tonnes of carbon dioxide equivalent (tCO₂e), representing a decrease of 3.8% in the total emissions. Carbon intensity is 18.0 tCO₂e per million turnover.

Carbon Emissions (tCO₂e)¹ in 2021



¹ The scopes of carbon emissions are defined as below:
 Scope 1 Direct fuel consumption of generators, vehicles and work processes.
 Scope 2 Indirect emissions from purchased energy and heating.
 Scope 3 Water and sewage processing, waste treatment, raw material usage, logistics and business travel.

² Restated to include tenants' data from the shopping malls in Scope 3.

+ The increase in Scope 1 is due to the increase in direct combustion from two New Works projects and petrol consumption from head office. The drop in scope 2 carbon emissions was attributable to the increased deployment of electricity saving initiatives.



Cutting Carbon in Kwu Tung North Project

Heading towards the era of “Construction 2.0”, SOCAM strives to move towards a cleaner, safer and more sustainable future, and adopted an advanced, compact and connected battery systems in lieu of the traditional diesel generators. We deployed four of these battery systems for powering tower cranes in our Multi-welfare Services Complex construction site in Kwu Tung North. As result, it has helped lessen our diesel fuel consumption by 61%, saving HK\$850,000 every year on fuel expenses and reducing carbon emissions by 496 tonnes.

With the ability to store electricity, the battery system is more stable and reliable in powering heavy equipment especially in remote areas where permanent grid power is often insufficient. Being controlled by fully automated self-managing systems, where constant maintenance is not required, it helps enhance productivity. Cloud connections allow us to track energy usage in real time, providing unparalleled levels of data transparency. Besides, it is 32 times quieter than diesel generators with the Noise Cooling System, minimising the impact on the neighbourhood.

Stage 1 Planned the project by breaking the floor spaces into units



Stage 2 Designed the interior for modules prefabrication



Stage 3 Factory mass production of MiC modules



Stage 4 On-site installation of MiC modules and jointings



Stage 5 Completed the installation of 1,764th module in February 2022

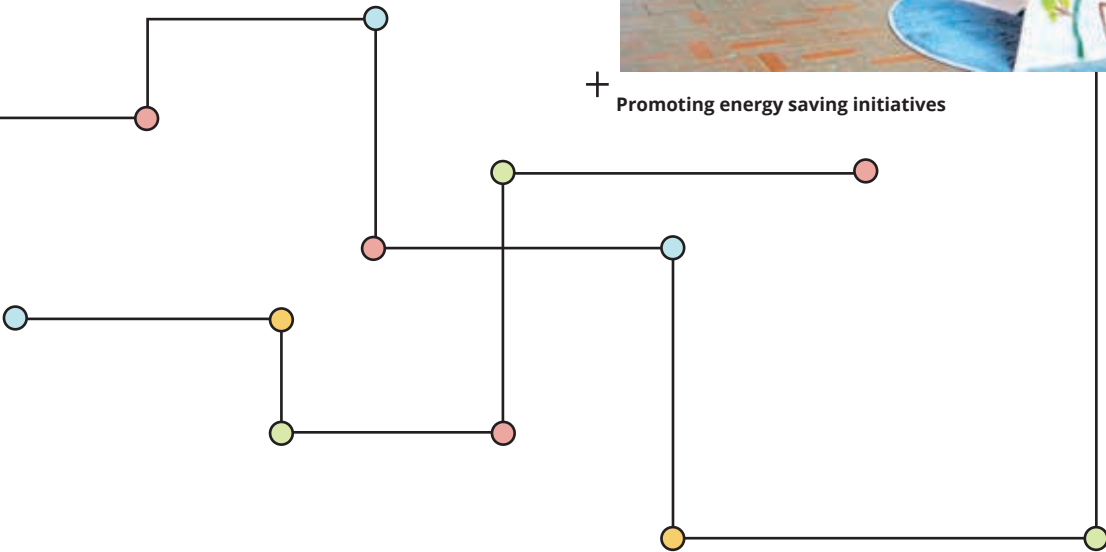
Reducing Energy Use in Shopping Mall

Air conditioning is the largest electricity consuming item in shopping malls. During the year, in partnership with CLP, we piloted to install an intelligent control platform at Chengdu Centropolitan, aiming to improve the existing energy management of the central air conditioning system.

The project, including optimising the chiller, and setting up variable speed drives, AI control system, smart metre and energy consumption monitoring system, saw encouraging results, reducing energy consumption of 22.3% annually.



+ Promoting energy saving initiatives



Managing Waste

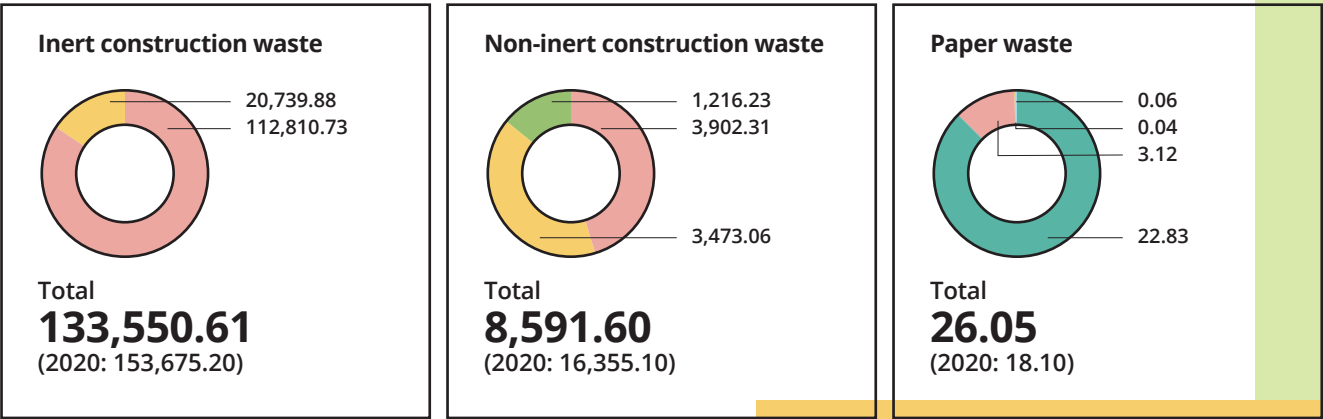


Committed to a waste reduction target of 25% by 2024, we strive to adopt smart technologies which enables us to design, plan and procure more efficiently.

Waste generation are largely affected by construction activity. Despite an addition of one more construction project in the

boundary, the New Works inert construction waste declined by 26% year-on-year while the non-inert construction waste recorded a decrease of 73% year-on-year. The total inert and non-inert construction waste in 2021 was 133,550.61 tonnes and 8,591.60 tonnes respectively.

Non-hazardous Waste (tonnes)



- Head Office
- Interior Fitting Out Projects
- New Works
- Shopping Malls
- Maintenance Projects



MiC Construction

Applies MiC construction methods to reduce the impact of dust and noise in the surrounding environment. Less construction waste is generated.



Prefabricated Rebar Products

Adopts the prefabricated rebar products to produce high-quality pre-made products in a safe environment, thereby improving engineering efficiency, avoiding the loss of steel bar materials and reducing the generation of waste metals on site.



Iron and Aluminium Formwork

The extensive use of iron and aluminium formwork to replace timber formwork can greatly decline the number of waste timber on site.



Paperless Workplace

Implement paperless workplace and other measures to decrease the use of paper.

Reuse and Recycle

- + reuse precast concrete slabs for hard paving and facilitate inter-project materials transfer through an in-house materials platform.
- + reuse hoarding materials at site, including concrete block and steel H-iron, which helps reduce procurement of new materials.
- + recycle and reuse building materials such as protective canvas for assembly of composite components to reduce waste on site.

In our head office, we received the certification in "Green Office Awards Labelling Scheme (GOALS)" awarded by World Green Organisation, recognising our efforts in adopting green office practices in the areas of resources conservation, waste reduction, green procurement, environmental management, internal awareness raising, and green innovation.



- + Our efforts in adapting green office practices earned us the "Green Office" certification



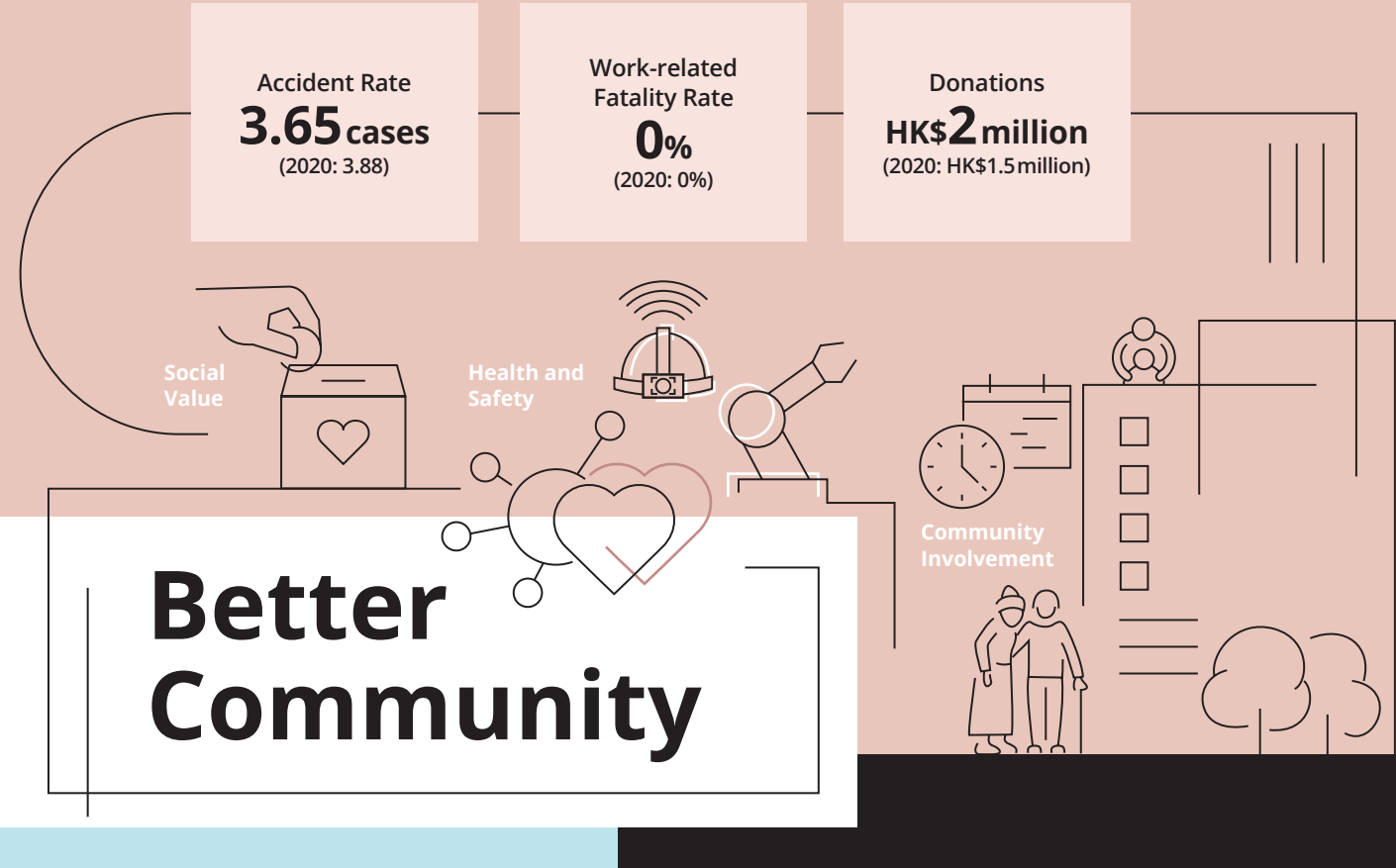
Saving Water

SOCAM consumes water resources during the construction process. We are continually working to improve our water management. During the year, we collected rainwater and recycle wastewater for reuse; and electrical sensor switches were installed in washrooms to reduce water wastage. With the adoption of MiC construction method, our sites greatly reduce the use of fresh water in the process to maintain concrete.



Sustainable Procurement

The Group incorporates environmental parameters into the building life cycle, including building design, construction method, raw material handling, waste disposal and facilities selection, encouraging the selection of the best options based on the price and environmental parameters. We also extend these eco-friendly practices to the entire supply chain, promoting efficient use of natural resources including raw materials and water by adhering to the green procurement guidelines monitored by the Procurement Department.

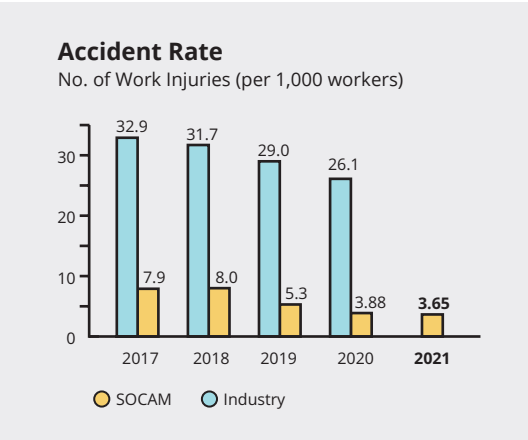


Health and Safety

Over the past many years SOCAM has had an outstanding record in site safety management, reporting incidents of injury significantly below industry averages. We put safety first and keep on improving our performance by adopting artificial intelligence during the year. From an already industry-low injury rate of 5.32 cases per thousand workers in 2019, we aim to achieve a reduction of 35% by 2024.

Strengthen Governance

A corporate HSE Steering Committee was set up during the year, overseeing the key risk areas, and systematically reviewing operational practices and training needs. Risk assessment and audits of operational safety are conducted in accordance with the ISO45001 Occupational Health and Safety Standard.



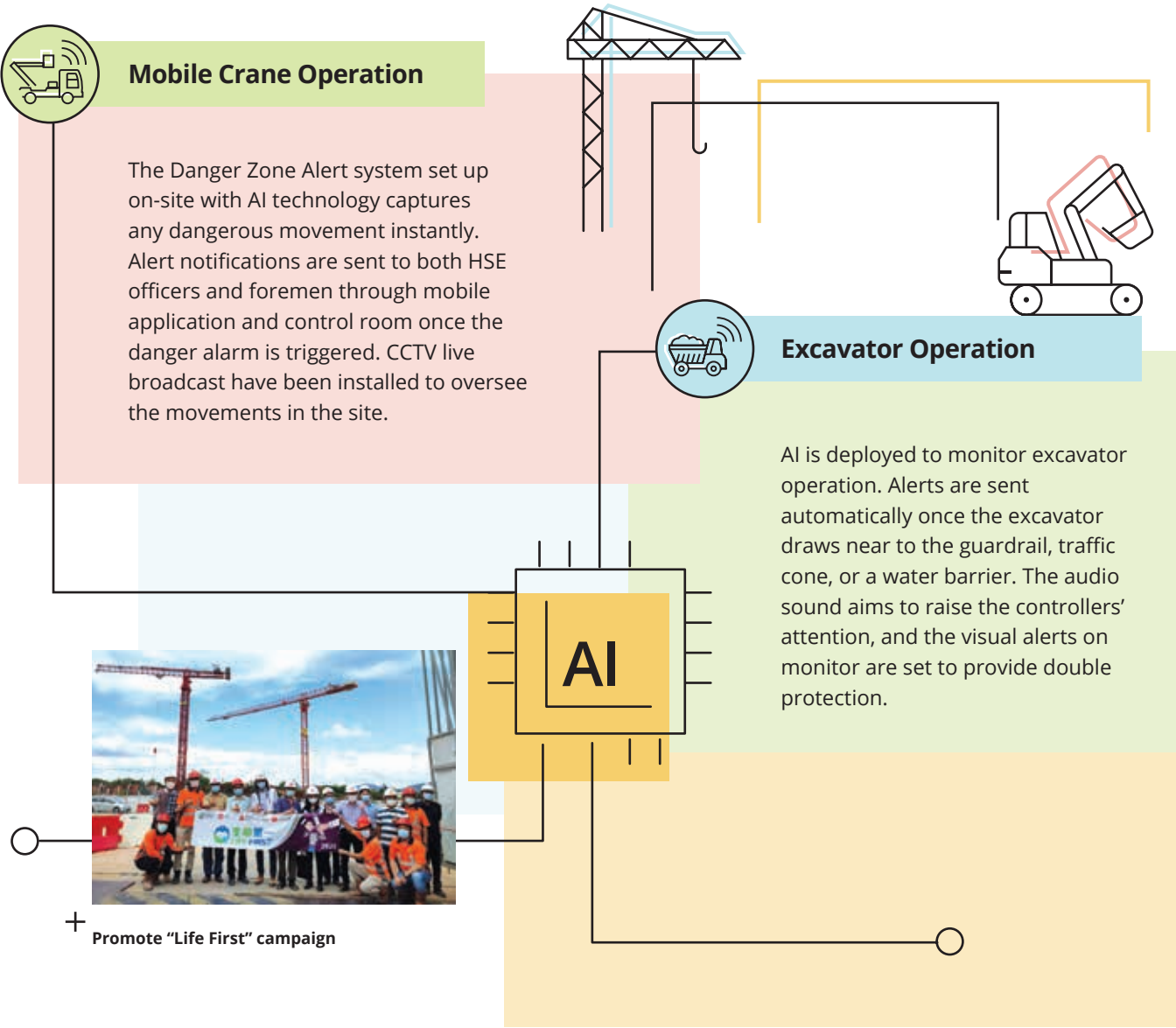
In 2021, we recorded an accident rate of 3.65 cases per thousand workers, the lowest record in recent years. A total of 2,230 lost days due to work injuries were reported during the year. There were 12 documented work-related injury cases, compared to 13 in 2020. In the last three years, there were no work-related fatalities.

Application of AI Technologies to Enhance Safety

New technologies were adopted to upgrade the safety standards. During the year, we signed a memorandum of strategic cooperation with ViAct to introduce the latest artificial intelligence technology to ensure site safety. By combining with AI technology, raw data is transformed and assembled into insightful information for the use of management decision-making regarding occupational safety.



+ Using VR for immersive safety training



Environmental, Social and Governance Report



This year, we upgraded the devices at the construction sites. Smart Helmets are adopted to show workers' real-time status including safety and position during work. Robotic machines such as mobile glass handlers are used to transport glass in a safe manner.



+ AI technology to enhance remote site safety monitoring

Engagement and Training

This year, the Group co-organised a Health and Safety talk with Construction Charity Fund for front-line workers, providing them with work-related safety information such as preventing heat stroke during extreme hot weather. To ensure adequate communication with sub-contractors, safety performance review meetings were held more frequently.

We engage with employees to communicate onsite safety messages and instructions, reinforcing safety culture by upgrading incident alert system and implementing industry leading work practices.

The Group has also subscribed to a virtual-reality (VR) training package with several modules related to construction practices for the front-line workers. Employees enrolled in the VR training can experience and understand each procedure more safely and clearly in a stimulative way.

Although the pandemic has disrupted face to face training, we arranged a total of 74,257 person times safety training in 2021, compared to 105,350 in 2020.



Protect Employee Safety during COVID-19

In the face of the challenging pandemic environment, we implemented immediate measures to safeguard the health and safety of employees, and established a set of preventive protocols across our operations. We installed a wide range of virus preventive solutions both at sites and offices including anti-bacterial treatments for public areas, upgraded sanitation and disinfected purifiers, while temperature screening and facial ID checks were made mandatory at site entrances to facilitate contact tracing.

Our internal communication channels are used to disseminate precautionary reminders and response measures to provide our employees with clear communications on the latest incidents.



+ Tailor-made mask for employees

Community Involvement

At SOCAM, we actively encourage employee engagement with the wider community in ways that are fun, emotionally rewarding and have quantifiable benefits. We also make donations to those admirable charities dedicated to helping the less-fortunate in society.

SOCAM was awarded the "15 Years Plus Caring Company Logo" by the Hong Kong Council of Social Service in 2021, recognising the Group's continued commitment to caring for the community, employees and environment for more than 15 years. Our community engagement programmes focus on supporting young people through experiential learning, and providing home care and support services for the vulnerable especially the elderly.

Fighting COVID-19

As a key industry player in the construction business, we are fully committed to supporting industry events, especially during difficult times. As the pandemic continued to impact people's health and the construction industry during the year, we donated HK\$500,000 to the "Construction Industry Caring Campaign" launched by the Construction Industry Council, offering financial relief to construction workers and their families who have been affected by the epidemic. We also implemented an incentive scheme for our employees, including a lucky draw and paid vaccination leave in support of the HKSAR Government's COVID-19 vaccination drive and in the interest of public health.



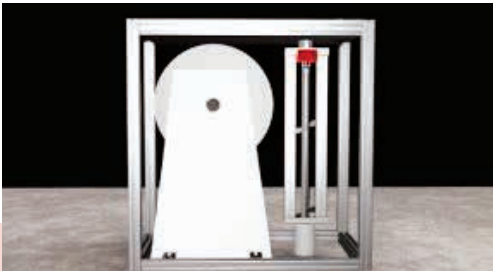
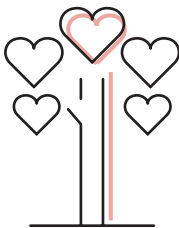
+ Support the vulnerable in our society during pandemic

Donated
HK\$500,000
to Construction Industry
Caring Campaign

Engaging the Youths and the Community

Students' Programme to Encourage Innovation

The development of youth is a priority for SOCAM. In 2021, we set up the Shui On Innovation Fund which supports learning, innovation and student projects. The Fund, in collaboration with the Hong Kong University of Science and Technology's Division of Integrative Systems and Design programme, has supported 14 student projects, benefiting over 60 students, to work on specific projects ranging from robotics to smart construction. Through these joint programmes, we aim to provide students design thinking, hands on experience and project-based learning to nurture next-generation innovators and technologists.



+ Student's project on Smart Construction

Community Outreach

During the year, SOCAM teamed up with University of Hong Kong's Department of Civil Engineering as part of their Project Mingde. This worthy initiative is set up to build or refurbish properties in Hong Kong and the Mainland. We partnered with students on an interior design and maintenance project for the headquarters of

Saint Barnabas' Society and Home, a charity for the poor and homeless. In collaboration with the students, giving guidance where necessary, we undertook numerous building improvement tasks including waterproofing and solar panel installation.

In similar regard, in 2021, SOCAM also supported the Hong Kong branch of Ronald McDonald House Charities that provides shelter and care for the young around the world.

As a company, we are constantly on the look-out for ways to help deserving charities and, where we can, provide practical learning experience and mentoring for young students outside the confines of the classroom.



+ Empower student development

Volunteer Services

The Group fosters employee engagement with the wider community in ways that are both emotionally rewarding and have quantifiable benefits. Our shared goal, as SOCAM regularly contributes to deserving charities, is to do our part to support the vulnerable in our society and alleviate poverty where we can.

Upholding the long tradition of the Shui On spirit, the Shui On Seagull Club, our employee run volunteering service unit, with 313 employees volunteered and worked for 792 hours in 2021 (2020: 321 and 540 respectively) despite the disruptions caused by COVID on our volunteering efforts. These included our volunteer services for St. James' Settlement, Hong Kong Young Women's Christian Association (YWCA), Hong Kong Cancer Fund, and Hong Kong Red Cross, among others.

We also continued to provide pandemic relief services such as packing and distributing face masks and lunchboxes to the vulnerable, working with YWCA.

Our Annual Charity Walk was an important event that we co-organised with the Hong Kong Society for the Blind during the year. Funds raised were used to equip the visually impaired for business work, which in turn helps maximise their potential and capabilities in the long run. However, the COVID-19 situation was serious, and we had to hold only a virtual event, because of considerations related to safety of our staff and to follow the social distancing norms. Nevertheless, the benefits of the event were still concrete and substantial.



Project Mingde
bringing learning outside
the traditional boundary
of the classroom



792
Volunteering
Hours



313
Employees
Volunteered



Shui On
Innovation Fund
Support 14 projects,
benefiting over 60
students

Performance Data Summary

	Unit	2021	2020	
Employees	Head count at Year End			
	Group-wide	Person	2,214	2,181
	By Gender			
	Male	Person	1,453	1,469
	Female	Person	761	712
	By Business Lines			
	Construction Division	Person	1,210	1,160
	Property Division	Person	851	863
	Others	Person	153	158
	By Employee Category			
	Senior Management	Person	117	119
	Middle Management	Person	289	292
	General Staff	Person	1,619	1,600
	Workers	Person	189	170
	By Age group			
	Under 30	Person	409	415
	31-50	Person	965	951
	51 or above	Person	840	815
	By Geographical Region			
	Hong Kong and Macau	Person	1,867	1,811
	Mainland China	Person	347	370
	Turnover rate (%)			
	Group-wide	%	13.1	9.3
	By Gender			
	Male	%	9.1	6.4
	Female	%	4.0	2.9
	By Age group			
	Under 30	%	4.2	2.9
	31-50	%	6.0	4.7
	51 or above	%	3.0	1.7
	By Geographical Region			
	Hong Kong	%	27.1	16.1
	Macau	%	5.2	5.6
	Mainland China	%	7.1	6.2
Training & Development	Training Hours			
	Group-wide (excluding HSE training)	Hour	20,961	18,883
	By Gender			
	Male	Hour	14,855	11,107
	Female	Hour	6,106	7,776
	By Employee Category			
	Senior Management	Hour	2,557	1,809
	Middle Management	Hour	4,695	2,366
	General Staff	Hour	12,224	14,709
	Workers	Hour	1,485	-
	Average Training Hour			
	Group-wide	Hour	9.5	8.7
	By Gender			
	Male	Hour	10.2	7.6
	Female	Hour	8.0	10.9
	By Employee Category			
	Senior Management	Hour	21.9	15.2
	Middle Management	Hour	16.2	8.1
	General Staff	Hour	7.6	9.2
	Workers	Hour	7.9	-

		Unit	2021	2020	
	Percentage of Employees Trained				
	Group-wide	%	74.5	86.7	
	By Gender				
	Male	%	74.5	58.2	
	Female	%	74.5	28.4	
	By Employee Category				
	Senior Management	%	93.2	5.6	
	Middle Management	%	90.0	12.8	
	General Staff	%	75.8	68.2	
	Workers	%	26.5	-	
Health & Safety	Lost days due to work injury	Day	2,230	3,225	
	Work-related injury rate	per 1,000 workers	3.65	3.88	
	Work-related injury	Number	12	13	
	Work-related fatalities	Number	0	0	
	Number of participants in safety training	Person	74,257	105,350	
Environment	Total Resource Consumption				
	Electricity	kWh	12,282,215	15,932,688*	
	Petrol	Litre	147,983	95,083	
	Diesel	Litre	839,537	562,842	
	Natural Gas	m³	150,079	111,725	
	Acetylene	m³	398.7	3,567	
	Heat	kWh	6,338,977	7,780,512*	
	Total energy consumption	kWh	31,785,567	35,798,173	
	Energy intensity	kWh/million turnover	9,602.9	9,036	
	Water	m³	156,637	168,616*	
	Water intensity	m³/million turnover	47.3	42.6	
	Greenhouse Gas Emission (tCO ₂ e)				
	Scope I	tCO ₂ e	2,883.2	2,195.0	
	Scope II	tCO ₂ e	11,221.2	16,973.8*	
	Scope III	tCO ₂ e	46,065.3	43,372.9*	
	Total	tCO ₂ e	60,169.7	62,542.0	
	GHG intensity	tCO ₂ e/million turnover	18	15.75	
	Air Emissions				
	Sulphur oxides	kg	15.7	10.9	
	Non-hazardous waste				
	Inert construction waste	tonnes	133,550.6	153,675.2	
	Non-inert construction waste	tonnes	8,591.6	16,355.1	
	Paper waste	tonnes	26.1	18.1	
	Waste intensity	tonnes/million turnover	42.9	42.9	
	Community	Volunteer hours (Including non-staff)	hours	792	540
		Donations (including funds raised by staff)	HK\$	2 million	1.5 million

*Footnotes:

- Data from previous year including electricity and water was adjusted as corresponding tenants' data from PRC shopping malls was ascertained and taken out from the Group's electricity and water consumption. This change also brought subsequent adjustment to previous year's Scope 2 and 3 emissions.
- The amount of heat consumed from previous year was revised due to an amendment of previous year's data on floor area.

ESG Content Index

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
A. Environmental		
Aspect A1 Emissions		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	BETTER ENVIRONMENT
KPI A1.1	The types of emissions and respective emissions data.	PERFORMANCE DATA SUMMARY
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	BETTER ENVIRONMENT – Managing Environmental Impacts
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	No significant generation of hazardous waste.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	BETTER ENVIRONMENT – Managing waste
		PERFORMANCE DATA SUMMARY
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	BETTER ENVIRONMENT
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	BETTER ENVIRONMENT – Managing waste
Aspect A2 Use of resources		
General disclosure	Policies on efficient use of resources, including energy, water and other raw materials.	BETTER ENVIRONMENT – Managing Environmental Impacts
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ‘000s) and intensity (e.g. per unit of production volume, per facility).	BETTER ENVIRONMENT – Managing Environmental Impacts
		PERFORMANCE DATA SUMMARY
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	BETTER ENVIRONMENT – Managing Environmental Impacts
		PERFORMANCE DATA SUMMARY
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	BETTER ENVIRONMENT – Managing Environmental Impacts
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	We source our water from the municipal water supply, and do not encounter any issue in sourcing water that is fit for purpose.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	No packaging materials used
Aspect A3 The environment and natural resources		
General disclosure	Policies on minimising the issuers’ significant impacts on the environment and natural resources.	BETTER ENVIRONMENT
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	BETTER ENVIRONMENT
Aspect A4 Climate Change		
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	BETTER ENVIRONMENT – Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	BETTER ENVIRONMENT – Climate Change
B. Social		
Aspect B1 Employment and labour practices		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	BETTER ECONOMY – People and Talent Development
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	BETTER ECONOMY – Our workforce
		PERFORMANCE DATA SUMMARY
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	PERFORMANCE DATA SUMMARY
Aspect B2 Health and safety		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	BETTER COMMUNITY – Health and safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	BETTER COMMUNITY – Strengthen Governance
		PERFORMANCE DATA SUMMARY
KPI B2.2	Lost days due to work injury.	BETTER COMMUNITY – Strengthen Governance
		PERFORMANCE DATA SUMMARY
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	BETTER COMMUNITY – Health and safety

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B3 Development and training		
General disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	BETTER ECONOMY – People & Talent Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	PERFORMANCE DATA SUMMARY
KPI B3.2	The average training hours completed per employee by gender and employee category.	PERFORMANCE DATA SUMMARY
Aspect B4 Labour standards		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	We implement appropriate protocols in our recruitment process to ensure child and forced labour is absent in our operations.
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	
Aspect B5 Supply chain management		
General disclosure	Policies on managing environmental and social risks of the supply chain.	BETTER ECONOMY – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	BETTER ECONOMY – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	BETTER ECONOMY – Supply Chain Management
		BETTER ENVIRONMENT – Sustainable procurement
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	BETTER ECONOMY – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	BETTER ENVIRONMENT – Sustainable procurement
Aspect B6 Product responsibility		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	BETTER ECONOMY – Operational Excellence
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable/There were no cases of product recall during the year.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	BETTER ECONOMY – Operational Excellence
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable/Our construction business has limited involvement in intellectual property rights.
KPI B6.4	Description of quality assurance process and recall procedures.	BETTER ECONOMY – Operational Excellence
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	BETTER ECONOMY – Data Security and Confidentiality
Aspect B7 Anti-Corruption		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	BETTER ECONOMY – Ethics and Integrity
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No concluded legal case regarding corrupt practices were recorded during the year
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	BETTER ECONOMY – Ethics and Integrity
KPI B7.3	Description of anti-corruption training provided to directors and staff.	BETTER ECONOMY – Ethics and Integrity
Aspect B8 Community investment		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	BETTER COMMUNITY – Community Involvement
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	BETTER COMMUNITY – Community Involvement
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	BETTER COMMUNITY – Community Involvement
		PERFORMANCE DATA SUMMARY

Directors and Senior Management



Mr. Lo Hong Sui, Vincent
GBM, GBS, JP

Mr. Lee Chun Kong, Freddy

Ms. Lo Bo Yue, Stephanie

Ms. Li Hoi Lun, Helen

Mr. Chan Kay Cheung

Mr. William Timothy Addison

Executive Directors

Mr. Lo Hong Sui, Vincent *GBM, GBS, JP*

aged 74, has been the Chairman of the Company since 1997. He is the Chairman of the Shui On Group, which he founded 51 years ago, and the Chairman of Shui On Land Limited ("SOL"), which he established in 2004 and became listed in Hong Kong in 2006. He is also a director of Shui On Company Limited ("SOCL"), the controlling shareholder of the Company, and certain subsidiaries of the Company. Mr. Lo is a Member of the Board of Directors of Boao Forum for Asia, the President of the Council for the Promotion & Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, a Vice Chairman of the Chamber of International Commerce Shanghai, the Honorary Life President of the Business and Professionals Federation of Hong Kong and an Honorary Court Chairman of The Hong Kong University of Science and Technology. He is currently a Non-executive Director of Great Eagle Holdings Limited and Hang Seng Bank, Limited, both of which are listed in Hong Kong.

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

Mr. Lee Chun Kong, Freddy

aged 60, re-joined the Shui On Group in May 2019 as the Deputy Chief Executive Officer of the Company and has been an Executive Director and the Chief Executive Officer of the Company since October 2019. Mr. Lee is also a director of certain subsidiaries of the Company. He joined the Shui On Group in 1986 and has nearly

17 years of experience in construction management in Hong Kong and 20 years of experience in property development in Mainland China. Mr. Lee was appointed as an Executive Director and a Managing Director of SOL, a company listed in Hong Kong, in June 2010 and was the Chief Executive Officer of SOL from March 2011 to January 2014. He left the Shui On Group in July 2014. Prior to joining the Company, he was the Senior Managing Director – Projects of the Chongbang Group, a real estate investment and development group in Shanghai. Mr. Lee holds a Master's degree in Construction Management from the City University of Hong Kong and a Bachelor's degree in Quantity Surveying from Reading University, England. He is a Member of the Royal Institution of Chartered Surveyors in the United Kingdom and a Member of the Hong Kong Institute of Surveyors. Mr. Lee is currently a director of Project Mingde Foundation. He also serves as an Executive Member of the China Overseas Chinese Entrepreneurs Association and a Member of the Eleventh, Twelfth and Thirteen Wuhan Municipal Committee of the Chinese People's Political Consultative Conference.

Non-Executive Director

Ms. Lo Bo Yue, Stephanie

aged 39, has been a Non-executive Director of the Company since January 2019 and was re-appointed to the office for a term of two years upon expiration of her service contract on 31 December 2020. Ms. Lo is currently an Executive Director of SOL, a company listed in Hong Kong. She is also the Vice Chairman and Executive Director of Shui On Xintiandi Limited, a wholly-owned subsidiary of SOL. She joined the Shui On Group in August 2012 and has over 18 years of working experience in property development industry in Mainland China, architecture and interior design as well as other art enterprises. Prior to joining the Shui On Group, Ms. Lo worked for various architecture and design firms in New York City, amongst which was Studio Sofield, a firm well-known for its capabilities in retail design. She holds a Bachelor of Arts degree in Architecture from Wellesley College in Massachusetts. She currently serves as a Member of the Thirteenth Shanghai Committee of the Chinese People's Political Consultative Conference and the Eighth Council

Member of the Shanghai Chinese Overseas Friendship Association. She has been selected as a Young Global Leader of the World Economic Forum in 2020. Ms. Lo is the daughter of Mr. Lo Hong Sui, Vincent, being the Chairman of the Company, the elder sister of Mr. Lo Adrian Jonathan Chun Sing, being a member of the senior management of the Company, and a director of SOCL, the controlling shareholder of the Company.

Independent Non-Executive Directors

Ms. Li Hoi Lun, Helen

aged 66, has been an Independent Non-executive Director of the Company since August 2008 and was re-appointed to the office for a term of two years upon expiration of her service contract on 27 August 2021. She is a qualified lawyer in the jurisdictions of Hong Kong, England and Wales and New South Wales, Australia. She studied law in England and commenced practising law in Hong Kong in 1982. Ms. Li worked in private practice, with emphasis on property, commercial and corporate work with a China focus. Prior to joining the Company, she was employed as an in-house legal counsel for the companies, and an Executive Director of the property arm, of the Shui On Group and took early retirement in 2005.

Mr. Chan Kay Cheung

aged 75, has been an Independent Non-executive Director of the Company since January 2010 and was re-appointed to the office for a term of two years upon expiration of his service contract on 31 December 2021. Mr. Chan possesses extensive knowledge and experience in the banking industry. He was an

Executive Director and Deputy Chief Executive of The Bank of East Asia, Limited and the Vice Chairman of The Bank of East Asia (China) Limited. Mr. Chan is a Fellow of The Hong Kong Institute of Bankers. He is currently an Independent Non-executive Director of China Electronics Huada Technology Company Limited and Chu Kong Shipping Enterprises (Group) Company Limited, both of which are listed in Hong Kong. Mr. Chan was an Independent Non-executive Director of Dah Chong Hong Holdings Limited prior to its privatisation in Hong Kong in January 2020. He was also an Independent Non-executive Director of Hong Kong Food Investment Holdings Limited, a listed company in Hong Kong, until August 2020.

Mr. William Timothy Addison

aged 69, has been an Independent Non-executive Director of the Company since May 2016 and was re-appointed to the office for a term of two years upon expiration of his service contract on 24 May 2020. Mr. Addison is currently the Chairman and Chief Executive Officer of Theron Capital International Limited, a company that provides strategic advisory services for China businesses. He is a former investment banker with more than 30 years of investment banking and global capital and debt market experience. He worked previously at The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) for over 21 years. He was a director of HSBC Corporate Finance Limited from 1992 until he left HSBC in 2002, at which time he held the position of Chief Operating Officer, Corporate Finance of HSBC Markets (Asia) Limited. Between 2005 and 2008, Mr. Addison served as a Managing Director and the Chief Financial Officer of SOL.

Senior Management

Mr. Choi Yuk Keung, Lawrence

aged 68, re-joined Shui On Group in August 2017 as the Vice Chairman of the Construction Division. He is an Executive Director of Shui On Building Contractors Limited (“SOBC”), Shui On Construction Company Limited (“SOC”) and Pat Davie Limited (“Pat Davie”), and a director of certain other subsidiaries of the Company. Mr. Choi joined the Shui On Group in 1973 and has over 40 years of experience in construction. He was appointed as Managing Director of the Shui On Group’s Construction Division in 1991 and the Construction Materials Division in 1995. He was the Vice Chairman and a Managing Director of the Company before he retired in December 2015. Mr. Choi was a Member of the Standing Committee of the Nineth, Tenth and Eleventh Guizhou Provincial Committee of the Chinese People’s Political Consultative Conference. He holds a Bachelor of Science degree in Engineering from the University of California, Berkeley.

Mr. Ko Siu Pang, Raymond

aged 60, is an Executive Director of SOBC and SOC. He was the Director and General Manager of the companies before he took up the current position in January 2022. He also holds directorships in certain other subsidiaries of the Company. Mr. Ko joined the Shui On Group in 1987 and has over 37 years of experience in construction. He holds a Master of Science degree in Project Management from the University of South Australia. He is also a Member of The Hong Kong Institution of Engineers.

Mr. Lee Kwok Fai

aged 67, is a Director of SOBC, Pacific Extend Limited and certain other subsidiaries of the Company. Mr. Lee joined the Shui On Group in 2001 and has over 40 years of experience in construction and building maintenance. He holds a Master’s degree in Built Environment, a Graduate Diploma in Project Management from the Queensland University of Technology of Australia and a Higher Diploma in Surveying from the Hong Kong Polytechnic. He is also a Member of the Hong Kong Institute of Surveyors.

Mr. Ng Yat Hon, Gilbert

aged 61, is an Executive Director of Pat Davie, specialising in interior fitting out and renovation in Hong Kong and Macau. He also holds directorships in certain other subsidiaries of the Company. Mr. Ng joined the Shui On Group in 1996 and has over 35 years of experience in construction. He holds a Bachelor’s degree in Civil Engineering from The University of Manchester and a Master’s degree in Project Management from The University of New South Wales. He is a chartered civil engineer.

Mr. Lam Kwok Kong, Wilson

aged 51, is the Director – Corporate Finance and also a director of certain subsidiaries of the Company. Mr. Lam joined the Company in 2006 and was the General Manager – Finance and Accounts before he took up the current position in January 2019. Prior to joining the Company, Mr. Lam worked in KPMG and has accumulated more than 10 years of accounting, auditing and financial management experience. He holds a Bachelor of Arts degree in Accountancy from the City University of Hong Kong. He is an Associate of the Hong Kong Institute of Certified Public Accountants.

Mr. Lo Adrian Jonathan Chun Sing

aged 33, is the Director – Corporate Development and also a director of certain subsidiaries of the Company. Mr. Lo joined the Company in October 2018 as Executive Assistant to the Chief Executive Officer and was the Head of Corporate Development before he took up the current position in January 2022. Prior to joining the Company, Mr. Lo founded and operated his own restaurant and catering business for five years. Before running his own business, he was a management trainee at Maxims Restaurant Group for two years. He holds a Bachelor of Arts degree in East Asian Studies with a focus in political science from Trinity College, Hartford, CT. Mr. Lo is the son of Mr. Lo Hong Sui, Vincent, the Chairman of the Company, and the younger brother of Ms. Lo Bo Yue, Stephanie, a Non-executive Director of the Company.

in particular, those which may involve conflicts of interest), major capital expenditure, appointment of Directors and Board Committee members, and other significant financial and operational matters. The Board also plays a central support and supervisory role in the Company's corporate governance duties to ensure the Company maintains a sound governance framework for long-term sustainable shareholders' value.

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

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

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

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

Throughout the year ended 31 December 2021, the Company 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for certain deviations as specified with considered reasons in the sections headed "Board Committees" below.

The Board

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

The Board is responsible for all major aspects of the Group's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, internal control and risk management systems, material transactions (including,

Corporate Governance Report



Composition

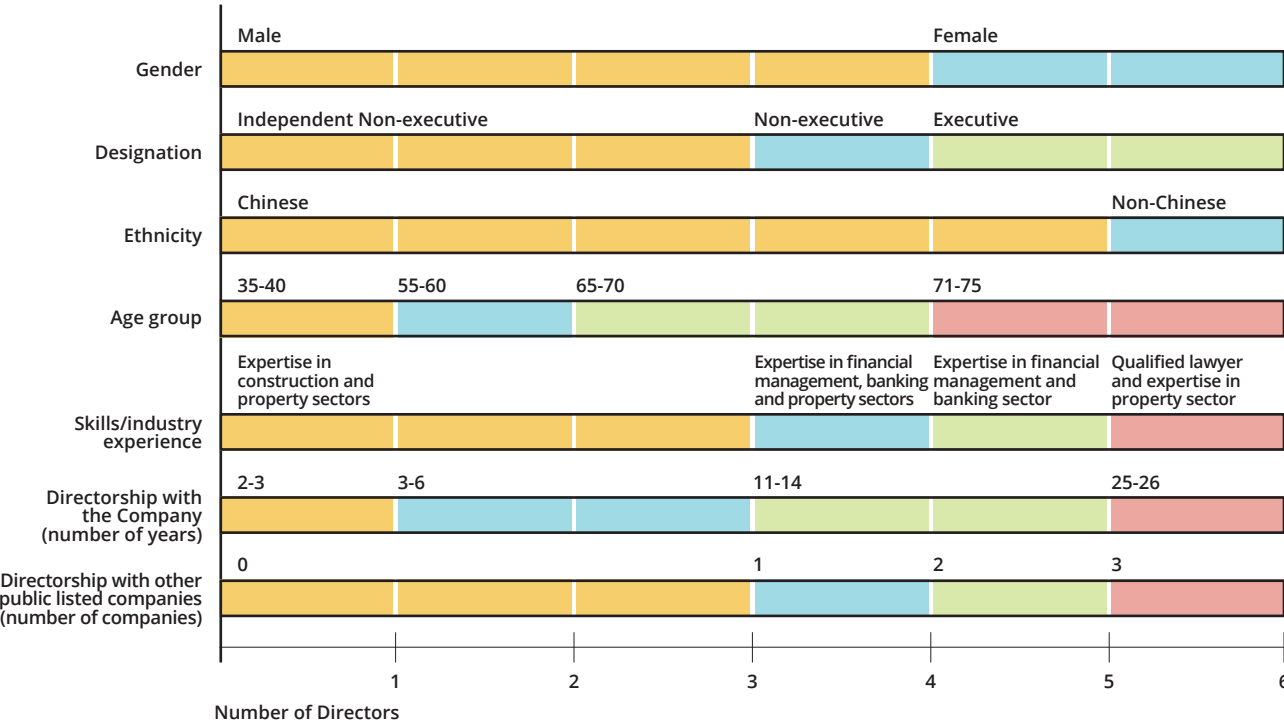
At the date of this report, the Board comprises six members, including two Executive Directors and four Non-executive Directors, three of whom are Independent Non-executive Directors. The existing composition of the Board is set out as follows:

Executive Directors:
Mr. Lo Hong Sui, Vincent (<i>Chairman</i>) Mr. Lee Chun Kong, Freddy (<i>Chief Executive Officer</i>)
Non-executive Director:
Ms. Lo Bo Yue, Stephanie
Independent Non-executive Directors:
Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung Mr. William Timothy Addison

The Company has met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board, with two of them possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has received written annual confirmation from each Independent Non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all of its Independent Non-executive Directors to be independent of management and free of any relationship that could materially interfere with the exercise of their judgment.

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

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



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

Chairman and Chief Executive Officer

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

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

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

Appointment, re-election and removal of Directors

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

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In 2013, the Board adopted a Board Diversity Policy upon the recommendation of the Nomination Committee to set out the approach to achieve diversity of the Board. A summary of the Board Diversity Policy is provided in the Nomination Committee Report contained in this Annual Report.

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

Each of the Non-executive Directors of the Company is appointed for a specific term of two years, subject to the provisions on Directors' retirement and re-election as set out in the Bye-laws of the Company. All Directors appointed by the Board in the case of filling a casual vacancy shall hold office only until the next general meeting of the Company, while those appointed as an addition to the Board shall hold office until the next annual general meeting of the Company. Besides, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at the annual general meeting of the Company at least once every three years. All retiring Directors shall be eligible for re-election by shareholders at the general meetings of the Company.

Corporate Governance Report

In accordance with the Bye-laws of the Company, Mr. Lee Chun Kong, Freddy and Ms. Lo Bo Yue, Stephanie shall retire at the forthcoming annual general meeting of the Company to be held on 1 June 2022. Both Directors, being eligible, will offer themselves for re-election at the annual general meeting.

Board Committees

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

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

Code provision E.1.2 of the CG Code provides that the terms of reference of the Remuneration Committee should include, among others, the responsibilities to (i) determine or make recommendations to the Board on the remuneration packages of individual Executive Director and senior management; (ii) review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment; and (iii) review and approve the remuneration proposals for management with reference to the Board’s corporate goals and objectives. The Remuneration Committee has reviewed its functions and considered that these responsibilities in relation to the remuneration and compensation of management should be vested in the Executive

Directors who have a better understanding of the level of expertise, experience and performance expected of the management in the daily business operations of the Group. The Remuneration Committee would continue to be primarily responsible for the review and determination of the remuneration package of individual Executive Director. After due consideration, the Board adopted the revised terms of reference of the Remuneration Committee with the said responsibilities in relation to the remuneration and compensation of management excluded from its scope of duties, which deviates from code provision E.1.2. Notwithstanding such deviation, the Remuneration Committee is still responsible for reviewing, approving and making recommendations to the Board on the guiding principles applicable to the determination of the remuneration packages of senior management.

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

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

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

	Major roles and functions	Composition	Frequency of meetings
Audit Committee	<ul style="list-style-type: none">To review the consolidated financial statements of the GroupTo review the accounting policies adopted by the Group and their implementationTo review the effectiveness of the risk management and internal control systemsTo oversee the engagement of, services provided by and remuneration of the external auditor and its independenceTo review and monitor the effectiveness of the internal audit function	Independent Non-executive Directors Mr. Chan Kay Cheung (Chairman) Ms. Li Hoi Lun, Helen Mr. William Timothy Addison	At least four times a year
Remuneration Committee	<ul style="list-style-type: none">To make recommendations to the Board on the policy and structure for remuneration of Directors and senior managementTo determine the remuneration package of individual Executive DirectorTo review and approve performance-based remuneration of Executive Directors with reference to the corporate goals and objectives	Independent Non-executive Directors Ms. Li Hoi Lun, Helen (Chairman) Mr. Chan Kay Cheung Mr. William Timothy Addison Executive Director Mr. Lo Hong Sui, Vincent Non-executive Director Ms. Lo Bo Yue, Stephanie	At least twice a year
Nomination Committee	<ul style="list-style-type: none">To review the structure, size and composition of the Board at least annuallyTo make recommendations to the Board on candidates nominated for appointment or re-appointment as Directors in accordance with the Nomination Policy and on succession planning for DirectorsTo make recommendations to the Board on membership of the Board CommitteesTo assess the independence of Independent Non-executive DirectorsTo review annually the time commitment required of DirectorsTo review the Board Diversity Policy and monitor its implementation	Executive Director Mr. Lo Hong Sui, Vincent (Chairman) Non-executive Director Ms. Lo Bo Yue, Stephanie Independent Non-executive Directors Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung Mr. William Timothy Addison	At least once a year

Major roles and functions		Composition	Frequency of meetings
Finance Committee	<ul style="list-style-type: none">To set overall financial objectives and strategies for the Group	Executive Director Mr. Lee Chun Kong, Freddy <i>(Chairman)</i>	At least four times a year
	<ul style="list-style-type: none">To adopt a set of financial policies for the Group and oversee its consistent application throughout the GroupTo review funding for investment projects/major capital expenditure to be undertaken and advise on the financing viability of the investment projects/major capital expenditureTo monitor cash flow and review financing requirements of the Group and compliance of bank loan and bond covenants	Independent Non-executive Directors Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung Mr. William Timothy Addison	
Investment Committee	<ul style="list-style-type: none">To review investment and disposal recommendations on target property projects and projects currently owned by the Group respectively	Executive Director Mr. Lee Chun Kong, Freddy <i>(Chairman)</i>	On an as needed basis
	<ul style="list-style-type: none">To make recommendation to the Board as to whether the Group should acquire a property project or, as the case may be, dispose of a property project and if so, the terms, timing and strategyTo review the overall investment/ divestment strategy of the Group, make recommendation to the Board on any proposed change to the strategy, and monitor its implementation	Independent Non-executive Directors Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung Mr. William Timothy Addison	
Executive Committee	<ul style="list-style-type: none">To monitor the macro business environment and market trends with respect to the current and potential business areas of the Group	Executive Directors Mr. Lee Chun Kong, Freddy <i>(Chairman)</i> Mr. Lo Hong Sui, Vincent	Monthly
	<ul style="list-style-type: none">To evaluate and set business strategies for ensuring the long-term growth and competitiveness of the core businesses of the GroupTo formulate corporate goals and plans and allocate human and financial resources for their executionTo monitor the execution of approved strategies and business plansTo review and approve acquisitions and disposals of assets in the ordinary course of business with investment costs/net book values not exceeding certain thresholdsTo review the operating performance and financial position of the Company and its strategic business units on a monthly basis	Other key executives including heads of various business units, the corporate development and finance & accounting functions	

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

Board and Board Committee meetings

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

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

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

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

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

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

Access to information

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

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

Directors’ commitment

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

Corporate Governance Report

The individual attendance records of each Director at the Board and Committee meetings as well as the annual general meeting of the Company held in 2021 are set out below:

Name of Director	Number of meetings attended/entitled to attend						
	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meeting	Finance Committee meetings	Executive Committee meetings	Annual general meeting
Mr. Lo Hong Sui, Vincent	4/4	N/A	2/2	1/1	N/A	4/12	1/1
Mr. Lee Chun Kong, Freddy	4/4	N/A (Note)	N/A	N/A	4/4	12/12	1/1
Ms. Lo Bo Yue, Stephanie	4/4	N/A	2/2	1/1	N/A	N/A	0/1
Ms. Li Hoi Lun, Helen	4/4	4/4	2/2	1/1	4/4	N/A	1/1
Mr. Chan Kay Cheung	4/4	4/4	2/2	1/1	4/4	N/A	1/1
Mr. William Timothy Addison	4/4	4/4	2/2	1/1	4/4	N/A	0/1

Note: By invitation, Mr. Lee Chun Kong, Freddy, being the Chief Executive Officer of the Company, attended all meetings of the Audit Committee held in 2021.

Induction, training and continuous professional development

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

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

During 2021, in addition to attending management briefings and reviewing papers in relation to the Group’s businesses and strategies, the Directors participated in the following training activities arranged by the Company:

Name of Director	Attending e-training (Note 1)	Reading materials (Note 2)
Mr. Lo Hong Sui, Vincent	✓	✓
Mr. Lee Chun Kong, Freddy	✓	✓
Ms. Lo Bo Yue, Stephanie	✓	✓
Ms. Li Hoi Lun, Helen	✓	✓
Mr. Chan Kay Cheung	✓	✓
Mr. William Timothy Addison	✓	✓

- Notes:
- 1. On the topic of corruption prevention in construction sector.
 - 2. Covering topics relating to regulatory compliance and financial reporting.

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

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

Directors’ insurance

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

The Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 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 2021.

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

Responsibilities in respect of Financial Statements

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

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

Annual report and financial statements

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

Accounting policies

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

Accounting records

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

Safeguarding assets

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

Going concern

After making appropriate enquiries and examining major areas which could give rise to significant financial exposures, the Board is satisfied that no material or significant exposures exist, other than as reflected in this Annual Report. The Board therefore

has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

External Auditor’s Remuneration

The Company has in place a formal policy on engaging non-audit services from its external auditor to ensure that the independence and objectivity of the external auditor would not be impaired by its provision of any non-audit services to the Group.

For the year ended 31 December 2021, the remuneration paid/payable to the external auditor of the Company in respect of audit services and non-audit services amounted to approximately HK\$4.28 million and HK\$1.29 million respectively. The fees for provision of the non-audit services by the external auditor are set out as follows:

Non-audit services	Fees (HK\$’000)
Review of the interim report for the six months ended 30 June 2021	1,150
Report on continuing connected transaction for the year ended 31 December 2021	50
Agreed-upon procedures in relation to preliminary results announcement for the year ended 31 December 2021	45
Agreed-upon procedures in relation to the financial information of certain subsidiaries of the Company, being employers under The Shui On Provident and Retirement Scheme, for the year ended 31 December 2021	40

Risk Management and Internal Control Systems

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

The Board has entrusted the Audit Committee with the responsibility to review the risk management and internal control systems of the Group, which include financial, operational and compliance controls. A risk management system is in place to ensure the regular identification, assessment and management of the risks faced by the Group. Procedures have been

set up for, inter alia, safeguarding assets against unauthorised use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications. Management throughout the Group maintains and monitors the risk management and internal control systems on an ongoing basis.

The Board has conducted a review of the Group’s risk management and internal control systems for the year ended 31 December 2021, including financial, operational and compliance controls, and assessed the effectiveness of such systems by considering the work performed by the Audit Committee, executive management, external and internal auditors. The Board was satisfied that the systems are effective and adequate for their purposes.

Internal audit

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

The senior executive in charge of CE attends all Audit Committee meetings to explain the internal audit findings and respond to queries from members. Four meetings were held by the Audit Committee in 2021 and details of the major areas reviewed are set out in the Audit Committee Report contained in this Annual Report. The Audit Committee regularly reviews the risk-based audit plan and progress as well as key performance indicators relating to the work of CE and considers its view on the latest specific risk assessments of the Group.

Risk management and internal control

The Group has diverse business activities for which a high level of autonomy in operational matters has been vested in divisional managers who are also responsible for the development of their divisions. In the circumstance, well-designed systems of risk management and internal controls are necessary to help the Group achieve its long-term objectives. The systems and policies of the Group are designed to minimise internal control risks and manage business risks, protect the assets of the Group from loss or

impairment, accurately report the performance of the Group and its financial position, and ensure compliance of relevant legislation, rules and regulations. This includes taking into consideration social, environmental and ethical matters. The systems, which are annually reviewed by the Board to ensure their effectiveness, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A Risk Management Policy has been put in place to ensure the regular identification, assessment and management of the risks faced by the Group. The Chief Executive Officer, as Chief Risk Officer, takes the lead in the effective implementation of the Risk Management Policy by all business and functional units. Risk assessment and prioritisation are an integral part of the annual planning process. Each business/functional unit is to set its strategic objectives, identify specific risks and assess the effectiveness of its risk management actions and internal control measures to help ensure that the risks it faces are addressed by the controls that have been or will be implemented. Adequacy and effectiveness of the risk management and internal control systems of the Group were confirmed by management in written form and independently appraised by CE with the result submitted to the Board. Adequate in-house and external trainings are arranged for management staff to ensure proper appreciation and implementation of risk management system. During the year ended 31 December 2021, CE carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group through, among others, observation in a discussion session of the Management Committee and examination of risk-related documentation as well as internal control self-assessment questionnaires developed with reference to the latest framework of The Committee of Sponsoring Organisations of the Treadway Commission. Further details about the Group’s risk management framework and process are set out in the Risk Management Report contained in this Annual Report.

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

Whistle-blowing mechanism

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

Shareholder and Investor Relations

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

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars published in accordance with the Listing Rules. Such published documents, together with the latest corporate information and news, are also available on the Company’s website.

The annual general meeting of the Company provides a valuable forum for the Board to communicate directly with shareholders each year. The Chairman of the Board or, in his absence, the Chief Executive Officer chairs the annual general meeting to answer any questions from shareholders. In addition, the chairpersons of the various Board Committees, or in their absence, other members of the relevant Committees and the Company’s external auditor are available to answer questions at the meeting.

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

Systems are in place for the protection and proper disclosure of information that has not already been made public. For further enhancement in this respect, the Company’s Disclosure Policy was adopted by the Board in 2012 to set out the Company’s approach towards the determination and dissemination of inside information and the circumstances under which the confidentiality of information shall be maintained. The Directors adhere strictly to the statutory requirement for their responsibilities of keeping information confidential.

Shareholders’ Rights

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

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

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

Constitutional Documents

No changes have been made to the Memorandum of Association and Bye-laws of the Company in 2021. The latest version of the Company’s Memorandum of Association and Bye-laws is available on the websites of the Company and the Stock Exchange.

Corporate Governance Enhancement

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

On behalf of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 30 March 2022

Audit Committee Report

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

Mr. Chan Kay Cheung (*Chairman*)
Ms. Li Hoi Lun, Helen
Mr. William Timothy Addison

All the Committee members are Independent Non-executive Directors of the Company, with both the Chairman and Mr. William Timothy Addison having the appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). No member of the Audit Committee is a former partner of the Company’s existing external auditor. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public listed companies.

Role and Duties

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

Summary of Work Done

The Audit Committee held four meetings in 2021. Members’ attendance records at the Committee meetings are set out in the Corporate Governance Report contained in this Annual Report.

During 2021, the Audit Committee:

- reviewed and discussed with management and external auditor the audited consolidated financial statements of the Group for the year ended 31 December 2020 (including estimates and judgments of a material nature made by

management in accordance with the accounting policies of the Group) and the related final results announcement, with a recommendation to the Board for approval after due consideration given to the matters raised by staff responsible for the accounting and financial reporting, compliance and internal audit functions;

- reviewed the disclosures in the Corporate Governance Report, the Audit Committee Report, the Risk Management Report and the Environmental, Social and Governance Report included in the 2020 Annual Report of the Company, with a recommendation to the Board for approval;
- reviewed and discussed with management and external auditor the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related interim results announcement, with a recommendation to the Board for approval;
- reviewed and considered the reports and management letters submitted by the external auditor, which summarised matters arising from its audit of the Group’s consolidated financial statements for the year ended 31 December 2020 and its review of the Group’s condensed consolidated financial statements for the six months ended 30 June 2021;
- reviewed and considered the reports of the Company’s Corporate Evaluation Department (“CE”, which undertakes the internal audit function) on the business risks and the operational and/or financial controls of some of the property projects in Mainland China and construction projects in Hong Kong;
- reviewed and considered the reports of CE on the review of the Group’s human resources function and payroll process;
- reviewed and considered the report of CE on the test check of special control points responded by management in the self-assessment questionnaire for the review of the Group’s internal control systems;

- reviewed the report of CE on the deregistration progress of the dormant companies of the Group;
- reviewed the report of the Company’s Sustainability Steering Committee on the implementation of the sustainability strategic plan of the Group;
- conducted an annual review of the Company’s Risk Management Policy, Whistle-blowing Policy and Policy on Engaging Non-audit Services from External Auditor;
- reviewed the quarterly updates of CE on the risk situation of the Group;
- reviewed the quarterly reports of CE on connected transactions, including the compliance of the Company Policy on Connected Transactions;
- reviewed and considered the adequacy of the Group’s provisions for doubtful debts on a quarterly basis;
- reviewed and considered the scope of work and fee proposals of the external auditor for the review of the Group’s condensed consolidated financial statements for the six months ended 30 June 2021 and for the audit of the Group’s consolidated financial statements for the year ended 31 December 2021;
- reviewed the key performance indicators and annual work programme of CE as well as its work progress, staffing and resources planning; and
- conducted a review of the effectiveness of the risk management and internal control systems of the Group at the year-end, which covered all material controls in financial, operational and compliance areas and included a review of the adequacy of resources, staff qualifications and experience, and training programmes and budgets of the Group’s accounting, financial reporting and internal audit functions.

The Committee members also serve as the contact persons under the Whistle-blowing Policy of the Company. No complaint was received in 2021 through this channel.

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

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

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

Subsequent to the financial year end, the Committee has reviewed the Group’s audited consolidated financial statements for the year ended 31 December 2021, including the accounting principles and practices adopted by the Group, in conjunction with the external auditor, with a recommendation to the Board for approval.

The Committee was satisfied with the external auditor’s work, its independence and objectivity, and therefore recommended the re-appointment of Deloitte Touche Tohmatsu as the Company’s external auditor for 2022 for shareholders’ approval at the forthcoming annual general meeting of the Company.

Chan Kay Cheung
Chairman, Audit Committee

Hong Kong, 30 March 2022

Remuneration Committee Report

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

- Ms. Li Hoi Lun, Helen (*Chairman*)
- Mr. Lo Hong Sui, Vincent
- Ms. Lo Bo Yue, Stephanie
- Mr. Chan Kay Cheung
- Mr. William Timothy Addison

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

Role and Duties

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

The Remuneration Committee is given the tasks to:

- make recommendations to the Board on the policy and structure for all Directors’ and senior management’s remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- determine, with delegated responsibility, the remuneration package of individual Executive Director, which include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of office or appointment), taking into account factors such as salaries paid by comparable companies, time commitment and responsibilities of the Director, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
- review and approve performance-based remuneration of Executive Directors with reference to corporate goals and objectives set by the Board from time to time;

- review and approve the compensation payable to Executive Directors for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and
- review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

Code provision E.1.2 of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange provides that the terms of reference of the Remuneration Committee should include, among others, the responsibilities to (i) determine or make recommendations to the Board on the remuneration packages of individual Executive Director and senior management; (ii) review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment; and (iii) review and approve the remuneration proposals for management with reference to the Board’s corporate goals and objectives. The Remuneration Committee has reviewed its functions and considered that these responsibilities in relation to the remuneration and compensation of management should be vested in the Executive Directors who have a better understanding of the level of expertise, experience and performance expected of the management in the daily business operations of the Group. The Remuneration Committee would continue to be primarily responsible for the review and determination of the remuneration package of individual Executive Director. After due consideration, the Board adopted the revised terms of reference of the Remuneration Committee with the said responsibilities in relation to the remuneration and compensation of management excluded from its scope of duties, which deviates from code provision E.1.2. Notwithstanding such deviation, the Remuneration Committee is still responsible for reviewing, approving and making recommendations to the Board on the guiding principles applicable to the determination of the remuneration packages of senior management.

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

Remuneration Policy

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

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

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

- the balance between short-term and long-term elements of remuneration is important and should be retained;
- salary levels will continue to be reviewed regularly against those in companies of a similar size or nature listed on the Stock Exchange; and

- emphasis will be given to corporate performance, taking into account the respective responsibilities of the Executive Directors, who will be rewarded by bonus payable for achievement of stretch targets and the grant of share options or other incentives, where appropriate.

Remuneration Structure

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

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

Cash remuneration components	Proportion
Salary and other benefits	Half
Bonus for achievement of targets (based 100% on corporate performance commencing from 2021 [#])	Half

[#] based 75% on corporate performance and 25% on personal performance in the previous year

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

Further details about the remuneration of the Directors and senior management of the Company are set out in the below sections headed “Remuneration of Directors” and “Remuneration of Senior Management” respectively.

Share Options

The Company has in place a share option scheme for employees (including directors) of the Group, which was adopted on 22 August 2012 to replace the previous share option scheme that had expired on 30 August 2012.

To reward employees for their contributions to the success of the Group through acquisition of an interest in the share capital of the Company, the Board, upon the recommendation of the Remuneration Committee,

may offer grants of share options to selected employees in Senior Manager grade and above, taking into account the financial performance of the Group as well as the individual performance and contribution of these employees. In view of the financial results of the Group, no grant of share options was made in the recent years.

Further details about the Company’s share option scheme are set out in the Directors’ Report contained in this Annual Report.

Remuneration of Directors

The remuneration paid to those Directors of the Company who held the office during the year ended 31 December 2021 was as follows:

	Director’s fees (Note 1) HK\$’000	Salary and other benefits HK\$’000	Retirement benefit scheme contributions HK\$’000	For the year ended 31 December 2021 Total HK\$’000
Executive Directors				
Mr. Lo Hong Sui, Vincent	10	–	–	10
Mr. Lee Chun Kong, Freddy	10	10,891 (Note 2)	260	11,161
Non-executive Director				
Ms. Lo Bo Yue, Stephanie	315	–	–	315
Independent Non-executive Directors				
Ms. Li Hoi Lun, Helen	550	–	–	550
Mr. Chan Kay Cheung	595	–	–	595
Mr. William Timothy Addison	520	–	–	520
TOTAL	2,000	10,891	260	13,151

Notes:

1. According to the fee schedule as approved by the Board for the year ended 31 December 2021, each Executive Director was entitled to an annual fee of HK\$10,000 while a Non-executive Director or an Independent Non-executive Director was entitled to an annual fee of HK\$250,000. In addition, a Non-executive Director or an Independent Non-executive Director also received an annual fee for his chairmanship or membership in the following Board Committees:

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

2. The amount comprises (i) the salary and other benefits of Mr. Freddy Lee totaling HK\$5,709,220 for his employment as Executive Director and Chief Executive Officer for the year ended 31 December 2021; and (ii) the bonus of HK\$5,182,100 awarded to Mr. Freddy Lee for the achievement of the performance targets of the Group as well as some individual performance targets set for 2020. With effect from 1 January 2022, the annual salary and allowances of Mr. Freddy Lee have been adjusted to HK\$5,805,600 upon annual review by the Remuneration Committee.

Remuneration of Senior Management

The remuneration paid to the members of senior management for the year ended 31 December 2021 was within the following bands:

	Number of individuals
HK\$1,500,000 – HK\$3,500,000	2
HK\$3,500,001 – HK\$5,500,000	2
HK\$5,500,001 – HK\$7,500,000	2

Service Contracts

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

Summary of Work Done

The Remuneration Committee held two meetings in 2021. Members’ attendance records at the Committee meetings are set out in the Corporate Governance Report contained in this Annual Report.

During 2021, the Remuneration Committee:

- considered and determined the amount of bonus awarded to the Executive Director and Chief Executive Officer based on corporate and personal performances for the year ended 31 December 2020;
- considered and decided that no grant of share options be made to management staff in view of the financial results of the Group for the year ended 31 December 2020;
- reviewed and endorsed the Remuneration Committee Report included in the 2020 Annual Report of the Company, with a recommendation to the Board for approval;

- considered and approved the 2021 key performance indicators set for the Executive Director and Chief Executive Officer based on the Balanced Scorecard framework;
- considered and approved the 2022 salary review recommendation for the Executive Director and Chief Executive Officer, taking into account the report of an external consultant on the analysis of executive remuneration in comparable Hong Kong listed companies, and reviewed the 2022 salary review guidelines for the Group as a whole; and
- considered and discussed the proposed formulation of a share incentive plan for management staff on a selective basis.

Li Hoi Lun, Helen
Chairman, Remuneration Committee

Hong Kong, 30 March 2022

Nomination Committee Report

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

- Mr. Lo Hong Sui, Vincent (*Chairman*)
- Ms. Lo Bo Yue, Stephanie
- Ms. Li Hoi Lun, Helen
- Mr. Chan Kay Cheung
- Mr. William Timothy Addison

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

Role and Duties

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

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

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

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In 2013, upon the recommendation of the Nomination Committee, a Board Diversity Policy was adopted by the Board to set out the approach to achieve diversity of the Board.

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

Under its terms of reference, the Nomination Committee is delegated with the tasks to review the Board Diversity Policy, the measurable objectives that the Board has set for implementing this policy as well as the progress on achieving these objectives.

The Nomination Committee reviews the Board composition annually against the objective criteria as set out in the Board Diversity Policy. An analysis of the existing Board composition is set out in the Corporate Governance Report contained in this Annual Report. The Committee considers that the Board now has an appropriate mix of skills, experience and diversity among its members in light of the business needs of the Group. For future appointments to the Board, the Committee opines that educational background, professional experience, skills and knowledge are important elements that should be taken into account in view of the prevailing business strategy of the Group, while it is not appropriate to set specific requirements for such criteria as gender, ethnicity and age although due consideration should also be given to these criteria for the benefits of diversity. The Company currently has two female Directors out of six Board members. The Board targets to maintain at least the current level of female representation, and will take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

Nomination Policy

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

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

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

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

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

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

Summary of Work Done

The Nomination Committee held one meeting and passed two written resolutions in 2021. Members' attendance records at the Committee meeting are set out in the Corporate Governance Report contained in this Annual Report.

During 2021, the Nomination Committee:

- reviewed the structure, size and composition of the Board against the objective criteria as set out in the Board Diversity Policy;
- reviewed the independence of the Independent Non-executive Directors;
- reviewed the time commitment required of Directors to perform their responsibilities;
- reviewed and endorsed the Nomination Committee Report included in the 2020 Annual Report, with a recommendation to the Board for approval;
- considered the nomination of two retiring Directors for the Board's recommendation to stand for re-election by shareholders at the 2021 annual general meeting of the Company; and
- considered the renewal of service contracts with two Independent Non-executive Directors, with recommendations to the Board for approval.

Lo Hong Sui, Vincent
Chairman, Nomination Committee

Hong Kong, 30 March 2022

Risk Management Report

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

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

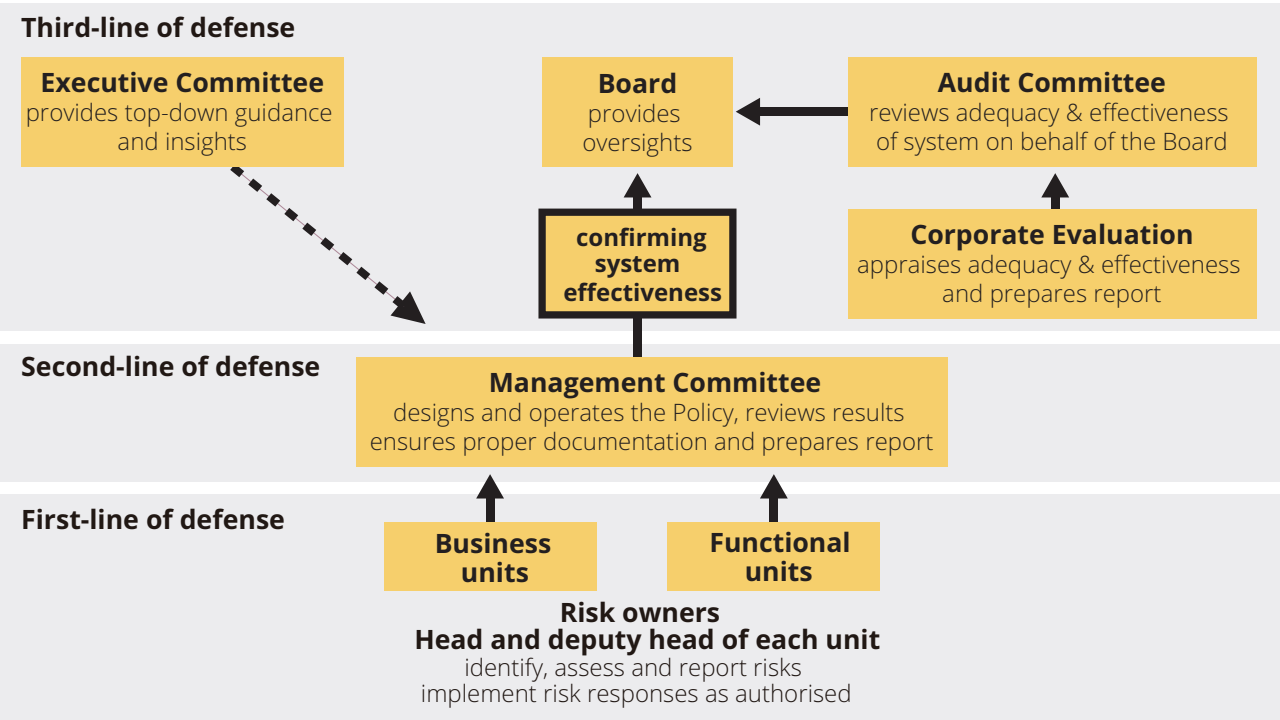
Effective 1 January 2016, amendments to the CG Code set out in the Listing Rules relating to risk management and internal control systems brought further improvements of the Group’s practices. As stipulated

in the revised CG Code, an internal audit function generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems. In 2017, the Company’s Corporate Evaluation Department (“CE”), which undertakes the internal audit function, analysed the practices of some reputable listed groups and the concepts of new COSO release of Enterprise Risk Management – Integrating with Strategy and Performance, and recommended the Company to modify the Policy.

As a result of the above and with considerations on the Group’s circumstances, management proposed a number of important amendments to the Policy, which took effect in December 2017 after the review of the Audit Committee and approval of the Board. As recommended by the Audit Committee and approved by the Board, the Policy was further refined in August 2019 with the risk appetite statement therein more clearly defined. No amendment has been made to the Policy since then after annual reviews by the Audit Committee.

Risk Governance Structure

The risk governance structure of the Company is depicted below:



Legend: accountability in risk management system

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

With the assistance of CE, the Audit Committee annually conducts a review of the effectiveness of the system of risk management with reference to the approaches suggested by the Institute of Internal Auditors and report to shareholders in the Annual Report of the Company. The senior executive in charge of CE has full access to all risk documentation for the purpose of independent appraisal of the adequacy and effectiveness of risk management system, and quarterly gives updates on the risk situation of the Group to the Audit Committee for monitoring.

Features of Risk Management Policy

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

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

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

Risk management is the culture, capabilities and practices, integrated with strategy and execution, that the Group relies on to manage risk in creating,

preserving, and realising value. Risks may be simply accepted, moderately controlled, intensively mitigated, or completely transferred to third parties.

Business units represent classification of the Group’s operations, core ones currently being the construction and property divisions. They may be changed over time with the development of the Group’s business activities. Functional units represent legal, company secretarial & compliance, finance & accounting, human resources, and corporate communications.

Risk Management Process

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

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

Approaches of Risk Identification and Monitoring

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

Bottom-up approach:

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

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

Risk Management in Strategy and Business Objectives Setting Process

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

The principal risks currently being managed by the Group include:

Risks and change of levels from last year		Risk responses
Construction segment		
Concentration on key customers offering uneven workload due to changes of the HKSAR Government’s housing policies, policy on expenditure on public new works and maintenance works	↔	Accept and monitor
Keen competition in the fit-out market with reduced workload in Hong Kong	↔	Focus on the high-end market; sharpen management skills to earn reputation of project performance with good business relationship; strive for customer satisfaction and quality excellence

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

Top-down approach:

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

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

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

Risk Management Report

Risks and change of levels from last year		Risk responses
Manpower effectiveness in meeting change of business strategy and disruption of business due to outbreak of epidemic	↔	Carry out special review of manpower of relevant business operations at time of change in business strategy and outbreak of epidemic
Succession planning for key positions in the Group	↔	Plan and execute management development for the Company and its subsidiaries
Reputation risk arising from business operation crisis	↓	Conduct workshops for both management and operational staff

Process for Review of Risk Management System

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

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

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

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

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

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

Directors' Report

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

Principal Activities

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

Business Review

A fair review of the businesses of the Group during the year and a discussion on the Group's business outlook are provided in the Chairman's Statement and the Management Discussion and Analysis sections of this Annual Report. Particulars of important events affecting the Group that have occurred since the end of the financial year on 31 December 2021 are included in the abovementioned sections and note 37 to the consolidated financial statements. A description of the principal risks and uncertainties facing the Group can be found in the abovementioned sections and the Environmental, Social and Governance Report as well as the Risk Management Report contained in this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in note 34 to the consolidated financial statements.

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

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

Results and Appropriations

The results of the Group for the year ended 31 December 2021 are set out in the Consolidated Statement of Profit or Loss.

The Board of Directors recommends the payment of a final dividend of HK\$0.07 per share, amounting to a total of approximately HK\$26 million, for the year ended 31 December 2021. Subject to shareholders'

approval at the forthcoming annual general meeting (the "2022 AGM") of the Company to be held on 1 June 2022, the final dividend is expected to be paid on or around 30 June 2022 to shareholders whose names appear on the register of members of the Company on 15 June 2022.

Dividend Policy

As announced on 30 March 2022, the Board of Directors has approved to adopt the revised dividend policy of the Company as set out below:

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

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

Share Capital

Details of the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity.

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

At 31 December 2021, the Company's contributed surplus available for distribution to shareholders amounted to approximately HK\$89 million.

Directors’ Report

Investment Properties

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

Property, Plant and Equipment

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

Directors

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

Executive Directors:
Mr. Lo Hong Sui, Vincent Mr. Lee Chun Kong, Freddy
Non-executive Director:
Ms. Lo Bo Yue, Stephanie
Independent Non-executive Directors:
Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung Mr. William Timothy Addison

Interests of Directors and Chief Executive in Securities

At 31 December 2021, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures ordinance (the “SFO”)) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

(a) Long positions in the shares of the Company

Name of Director	Number of shares/underlying shares			Total	Approximate percentage of issued shares (Note 1)
	Personal interests	Family interests	Other interests		
Mr. Lo Hong Sui, Vincent (“Mr. Lo”)	–	312,000 (Note 2)	236,269,000 (Note 3)	236,581,000	63.19
Mr. Lee Chun Kong, Freddy (“Mr. Lee”)	20,000	–	–	20,000	0.00
Ms. Lo Bo Yue, Stephanie (“Ms. Lo”)	–	–	236,269,000 (Note 3)	236,269,000	63.10

In accordance with Bye-law 87(1) of the Bye-laws, Mr. Lee Chun Kong, Freddy and Ms. Lo Bo Yue, Stephanie shall retire by rotation and, being eligible, offer themselves for re-election at the 2022 AGM.

No Director proposed for re-election at the 2022 AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors’ Indemnities

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

Notes:

- Based on 374,396,164 shares of the Company in issue at 31 December 2021.
- These shares were beneficially owned by Ms. Loletta Chu (“Mrs. Lo”), the spouse of Mr. Lo. Under the SFO, Mr. Lo was deemed to be interested in such shares and both Mr. Lo and Mrs. Lo were also deemed to be interested in 236,269,000 shares mentioned in Note 3 below.

- These shares were beneficially owned by Shui On Company Limited (“SOCL”), which was held under the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. (“Bosrich”). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and one of the discretionary beneficiaries, Ms. Lo was a discretionary beneficiary and HSBC International Trustee Limited (“HSBC Trustee”) was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under the SFO.

(b) Long positions in the shares and underlying shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Number of shares/underlying shares			Total	Approximate percentage of issued shares (Note 1)
		Personal interests	Family interests	Other interests		
Mr. Lo	Shui On Land Limited (“SOL”)	–	1,849,521 (Note 2)	4,489,291,751 (Note 3)	4,491,141,272	55.70
Mr. Lee	SOL	81,333	–	–	81,333	0.00
Ms. Lo	SOL	437,000 (Note 4)	–	4,489,291,751 (Note 3)	4,489,728,751	55.68

Notes:

- Based on 8,062,216,324 shares of SOL in issue at 31 December 2021.
- These shares were beneficially owned by Mrs. Lo, the spouse of Mr. Lo. Under the SFO, Mr. Lo was deemed to be interested in such shares and both Mr. Lo and Mrs. Lo were also deemed to be interested in 4,489,291,751 shares mentioned in Note 3 below.
- These shares were held by SOCL through its controlled corporations, comprising 2,733,949,818 shares, 1,725,493,996 shares and 29,847,937 shares held by Shui On Investment Company Limited (“SOI”), Shui On Properties Limited (“SOP”) and New Rainbow Investments Limited (“NRI”) respectively, whereas both SOI and SOP

- were wholly-owned subsidiaries of SOCL. NRI was a wholly-owned subsidiary of the Company which in turn was held by SOCL as to approximately 63.10%. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and one of the discretionary beneficiaries, Ms. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under the SFO.
- These represent the interests in the underlying shares of SOL under the outstanding share options granted by SOL.

(c) Interests in the debentures of the associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interests	Amount of debentures
Mr. Lo	Shui On Development (Holding) Limited (“SODH”)	Trust interests (Note 1) Family interests (Note 2) Family interests (Note 2)	US\$17,800,000 US\$2,000,000 US\$1,400,000
Ms. Lo	SODH	Trust interests (Note 1)	US\$17,800,000

Notes:

- These represent the interests in the debentures held by SOI, a wholly-owned subsidiary of SOCL. SOCL was held under the Bosrich Unit Trust. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and both Mr. Lo and Ms. Lo were discretionary beneficiaries.
- These represent the interests in the debentures held by Mrs. Lo, the spouse of Mr. Lo.

Save as disclosed above, at 31 December 2021, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders and Other Persons

At 31 December 2021, the interests of substantial shareholders (not being a Director of the Company) and other persons in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

		Approximate percentage of issued shares (Note 1)
Name of shareholder	Capacity	
Mrs. Lo	Family and personal interests	236,165,000 (Notes 2, 4 & 6) 63.07
SOCL	Beneficial owner	235,873,000 (Notes 3, 4 & 6) 63.00
Bosrich	Trustee	235,873,000 (Notes 3, 4 & 6) 63.00
HSBC Trustee	Trustee	235,873,000 (Notes 3, 4 & 6) 63.00
Mr. Sun Yinhuan (“Mr. Sun”)	Founder of a discretionary trust	19,185,950 (Notes 5 & 6) 5.12
Right Ying Holdings Limited (“Right Ying”)	Interest of controlled corporation	19,185,950 (Notes 5 & 6) 5.12
TMF (Cayman) Ltd. (“TMF”)	Trustee	19,185,950 (Notes 5 & 6) 5.12

- Notes:
1. Based on 374,396,164 shares of the Company in issue at 31 December 2021.

2. The number of shares disclosed above was based on the notice filed by Mrs. Lo on 2 July 2021 under Part XV of the SFO. It comprised 312,000 shares beneficially owned by Mrs. Lo and 235,853,000 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under the SFO as mentioned in Note 3 below.

3. The number of shares disclosed above was based on the notices filed by SOCL and Bosrich both on 7 July 2021 and the notice filed by HSBC Trustee on 8 July 2021 under Part XV of the SFO. Such shares were beneficially owned by SOCL, which was held under the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and one of the discretionary beneficiaries, Ms. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under the SFO.

4. According to the disclosure made by Mr. Lo, at 31 December 2021, SOCL beneficially owned 236,269,000 shares representing approximately 63.10% of the issued shares of the Company, while Bosrich Unit Trust and HSBC Trustee, being trustees of the trusts as mentioned in Note 3 above, were deemed to be interested in such shares under the SFO.

5. These shares were held by Everhigh Investments Limited, an indirect wholly-owned subsidiary of Right Ying. Right Ying was held under a discretionary trust, of which Mr. Sun was the founder and TMF was the trustee.

6. All the interests stated above represent long positions.
- Save as disclosed above, at 31 December 2021, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register which is required to be kept under section 336 of the SFO.
- ## Share Options
- The Company adopted a share option scheme on 22 August 2012 (the “Existing Scheme”), which has a life of 10 years until 21 August 2022, to replace the share option scheme adopted on 27 August 2002 (the “Old Scheme”) that had expired on 30 August 2012. Since then, no further option can be granted under the Old Scheme, but all options granted previously remained exercisable during the exercise period in accordance with the terms of the Old Scheme and the relevant letters of offers to the respective grantees.
- 103
- Annual Report 2021
- The movement in the share options granted under the Old Scheme is set out as follows:
- | Category of eligible participants | Date of grant | Subscription price per share HK\$ | Number of shares subject to options | | | | | At 31.12.2021 | Period during which the options were exercisable (Note) |
|-----------------------------------|---------------|-----------------------------------|-------------------------------------|-------------------------|---------------------------|------------------------|---------------------------|---------------|---|
| | | | At 1.1.2021 | Granted during the year | Exercised during the year | Lapsed during the year | Cancelled during the year | | |
| Employees | 28.7.2011 | 10.00 | 1,442,000 | - | - | (1,442,000) | - | - | 1.5.2015 to 27.7.2021 |
- Note:
The share options were exercisable by the eligible participants during the exercise period in accordance with the schedules as set out in the offer letters.
- All the outstanding share options granted under the Existing Scheme had lapsed in 2018, and no further share option was granted under the Existing Scheme.
- ## Arrangement to Acquire Shares or Debentures
- Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.
- ## Corporate Governance
- The Company is committed to maintaining a high standard of corporate governance through its continuous effort in improving its corporate governance practices. Details about the corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this Annual Report.
- ## Connected Transactions
- During the year, the Group entered into the following transactions which constituted non-exempt connected transactions of the Company and are required to be disclosed herein under Chapter 14A of the Listing Rules.
- ## Non-exercise of call option in relation to share interest in Shui On Contractors Limited (“SOCON”)
- On 30 March 2021, the Company entered into a deed of agreement (the “Deed”) with Mr. Chan Ngai Shing, David (“Mr. David Chan”, who ceased to be an employee due to his retirement on 1 March 2021 and remains as a director of certain subsidiaries of SOCON, a non-wholly owned subsidiary of the Company, which via its subsidiaries principally engages in the construction business in Hong Kong and Macau) whereby the Company agreed not to exercise the call option (the “2% Call Option”) granted by Mr. David Chan under the sale and purchase agreement dated 4 August 2017 (as amended by the supplemental agreement dated 26 May 2020) (the “Sale and Purchase Agreement”) to acquire his 4 SOCON shares subject to the condition, among other things, that he shall sell and transfer all his 4 SOCON shares only to such purchaser(s) as designated by the Company on or before 31 March 2022 at the sale price to be determined on the same basis as the exercise price of the 2% Call Option as stipulated in the Sale and Purchase Agreement, which would be approximately HK\$23.81 million in total based on the adjusted pro-forma consolidated net asset value of SOCON and its subsidiaries (the “SOCON Group”) as at 28 February 2021. No consideration or compensation is payable by the Company or Mr. David Chan under the Deed for the non-exercise of the 2% Call Option.

Directors’ Report

As Mr. David Chan had agreed to sell and transfer all his 4 SOCON shares to such purchaser(s) as designated by the Company following cessation of his employment, allowing the Company to uphold the objective to provide the senior executives of the SOCON Group at the relevant time with the opportunity to have a personal stake in the construction business of the Group under an employee equity participation arrangement, the Company decided that it was not necessary to exercise the 2% Call Option.

As Mr. David Chan is a director of certain subsidiaries of SOCON and hence a connected person of the Company at the subsidiary level, the non-exercise of the 2% Call Option by the Company was treated as if exercised under Rule 14A.79(4) of the Listing Rules and constituted a connected transaction of the Company, details of which were set out in the announcement dated 30 March 2021 issued by the Company.

In accordance with the terms of the Deed, the disposal of 2 SOCON shares by Mr. David Chan to two senior executives of the SOCON Group as designated by the Company were completed on 23 April 2021. The disposal of the remaining 2 SOCON shares by Mr. David Chan was expected to be completed on or before 30 April 2022 pursuant to the Deed.

Provision of project management services for asset enhancement at Shui On Centre

On 30 April 2021, Shui On Construction Company Limited (“SOC”, an indirect non-wholly owned subsidiary of the Company) entered into agreements (the “Project Management Services Agreements”) respectively with (i) Shui On Centre Company Limited (“SOCCL”, an indirect wholly-owned subsidiary of SOCL and an owner of certain proprietary areas of Shui On Centre, a commercial building located at 6-8 Harbour Road, Hong Kong), whereby SOC agreed to provide certain project management services in relation to, among others, design, procurement, renovation, and construction and enhancement works to be conducted under an asset enhancement project over various proprietary areas of Shui On Centre owned by SOCCL

and its affiliate, which may further be extended to cover the rooftop signage and structural steel support works at Shui On Centre, for a service fee equivalent to 5% of the total construction cost of such works up to a cap of HK\$3 million; and (ii) Pacific Extend Properties Management Limited (formerly known as Shui On Properties Management Limited) (“PEPM”, an indirect wholly-owned subsidiary of the Company, acting as agent of Shui On Centre Property Management Limited (“SOCPML”, an indirect wholly-owned subsidiary of SOCL)), whereby SOC agreed to provide one design management manager and one design manager/ project manager on a staff secondment basis to PEPM, being the property management company of Shui On Centre as appointed by SOCPML, for performing certain project management services in relation to, among others, design, procurement, renovation, and construction and enhancement works to be conducted under an asset enhancement project over the common areas of Shui On Centre for a service fee equivalent to 5% of the total construction cost of such works up to a cap of HK\$5.5 million.

Provision of the services under the Project Management Services Agreements forms part of the usual business activities of SOC, allowing SOC to fully capitalise on its experience and expertise to earn an income from its services.

As both SOCCL and SOCPML are subsidiaries of SOCL and associates of Mr. Lo and Ms. Lo, they are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Project Management Services Agreements constituted connected transactions of the Company, details of which were set out in the announcement dated 30 April 2021 issued by the Company.

Continuing Connected Transaction

Set out below is the transaction entered into by a subsidiary of the Company which constitutes a continuing connected transaction of the Company and is required to be disclosed herein under Chapter 14A of the Listing Rules.

Provision of property management services to SOCPML

Pursuant to the property management services agreement dated 16 March 2019 (the “Property Management Agreement”) entered into between PEPM (then known as Shui On Properties Management Limited) and SOCPML (an indirect wholly-owned subsidiary of SOCL), PEPM continued to provide services in relation to the management and maintenance of Shui On Centre (the “SOC Property Management Services”) to SOCPML after it has become an indirect wholly-owned subsidiary of the Company on 30 April 2019 (being the date of completion of the Group’s acquisition of the property management business from a subsidiary of SOCL) until the end of the term of the Property Management Agreement on 31 December 2021. The annual service fee of PEPM is equivalent to the aggregate sum of (i) 12% of the budgeted expenses for the management of Shui On Centre (the “Management Expenses”) calculated in accordance with the provisions set out in the deed of mutual covenant and management agreement in respect of Shui On Centre dated 17 February 1994 (the “DMC”) for the relevant financial year; and (ii) 12% of any additional sum demanded by SOCPML, as the management company appointed under the DMC, in accordance with the provisions of the DMC to cover any insufficiency in the Management Expenses. The service fee paid or payable by SOCPML to PEPM under the Property Management Agreement for the period from 30 April 2019 to 31 December 2019 and for the years ended 31 December 2020 and 31 December 2021 should not exceed the caps of HK\$4.80 million, HK\$7.10 million and HK\$7.50 million respectively.

On 16 December 2021, PEPM entered into a new property management services agreement (the “New Property Management Agreement”, together with the Property Management Agreement, the “Agreements”) with SOCPML for the continual provision of the SOC Property Management Services for a term of three years from 1 January 2022 to 31 December 2024, or until the termination of the engagement in accordance with the agreement terms (whichever is earlier), after expiration of the Property Management Agreement on 31 December 2021.

Pursuant to the New Property Management Agreement, PEPM’s annual service fee shall be the aggregate sum of (i) 9% of the budgeted Management Expenses calculated in accordance with the DMC provisions for the relevant financial year (excluding (a) the budgeted Management Expenses on remuneration to be received by SOCPML in its capacity as the management company appointed under the DMC; and (b) the sinking fund maintained under the DMC to meet all expenditure of a heavy and/or non-recurrent nature for the common areas of Shui On Centre) plus any additional sum demanded and recovered by SOCPML in accordance with the DMC provisions to cover any insufficiency in the Management Expenses; and (ii) 9% of the part of (if any) actual capital expenditure incurred from 1 January 2022 which exceeds the accumulated balance of the sinking fund as at 31 December 2021. Besides, SOCPML shall reimburse PEPM on cost basis for the costs, expenses and disbursements properly incurred in the course of performing the SOC Property Management Services, such as the charges of main office overheads, facilities, accountancy or other professional services, any staff cost and sums payable for the use of any premises reasonably required by PEPM as the management office (the “Disbursements”). It is expected that the total amounts of the service fee and Disbursements payable by SOCPML to PEPM under the New Property Management Agreement for the years ending 31 December 2022, 2023 and 2024 should not exceed the caps of HK\$20 million, HK\$22 million and HK\$22 million respectively.

Provision of the SOC Property Management Services under the Agreements forms part of the usual business activities of PEPM, allowing PEPM to fully capitalise on its experience and expertise to earn an income from its services.

As SOCPM is a subsidiary of SOCL and an associate of Mr. Lo and Ms. Lo, it is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the continual provision of the SOC Property Management Services by PEPM to SOCPML under the Agreements constitute a continuing connected transaction of the Company, details of which were set out in the announcements dated 18 April 2019 and 16 December 2021 issued by the Company respectively.

The service fee of PEPM for the provision of the SOC Property Management Services under the Property Management Agreement for the year ended 31 December 2021 was approximately HK\$7.13 million. In accordance with Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed such continuing connected transaction for the year ended 31 December 2021 and confirmed that such transaction has been entered into by PEPM in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the Property Management Agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition, the Company’s external auditor was engaged to report on the above continuing connected transaction in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the transaction in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

Directors’ Interests in Competing Businesses

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

- (1) Mr. Lo is a director and the controlling shareholder of SOCL which, through its subsidiaries, including (among others) SOL, principally engages in property development and investment projects in the People’s Republic of China (the “PRC”).

- (2) Mr. Lo is a director of Great Eagle Holdings Limited which, through its subsidiaries, engages in (among others) property development and investment, provision of property management and maintenance services, and trading of building materials in the PRC.
- (3) Ms. Lo is a director of SOCL which, through its subsidiaries, including (among others) SOL, principally engages in property development and investment projects in the PRC.

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

Directors’ Interests in Transactions, Arrangements or Contracts

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

Management Contracts

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

Equity-linked Agreements

Other than the share option schemes adopted by the Company as mentioned under the section headed “Share Options” above, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Purchase, Sale or Redemption of Listed Securities

In 2021, the Company further repurchased on the Stock Exchange a total of US\$6 million principal amount of the US\$180 million 6.25% senior notes (the “Notes”) for an aggregate consideration of approximately US\$5.93 million, in addition to US\$16.6 million principal amount of the Notes repurchased in 2020 for an aggregate consideration of approximately US\$16.15 million. The Notes matured on 23 January 2022, and the Company fully repaid the US\$157.4 million outstanding principal amount of the Notes on the maturity date.

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

Disclosure under Rule 13.20 of the Listing Rules

Financial assistance and guarantees provided by the Group in favour of New Pi (Hong Kong) Investment Co., Ltd. (“New Pi”) and certain of its subsidiaries were HK\$2,024 million at 31 December 2021, which comprised:

	HK\$ million
Receivables	528
Guarantees	1,496
	<hr/> 2,024

The receivables are unsecured, repayable on demand and out of the total outstanding balance, an amount of HK\$147 million carries interest at prevailing market rates. The above balances are in relation to the disposal of a former subsidiary group in prior years to New Pi. Further details of the receivables and guarantees are set out in notes 19(d) and 32(a) to the consolidated financial statements.

Disclosure under Rule 13.21 of the Listing Rules

On 15 October 2021, the Company entered into a loan agreement (the “Loan Agreement”) with a licensed bank established in Hong Kong (the “Bank”) whereby the Bank agreed to make available to the Company a term loan facility up to a principal amount of HK\$1,300 million (the “Loan Facility”) for a term of three years. As disclosed in the announcement of the Company dated 15 October 2021, pursuant to the Loan Agreement, there is a condition requiring the Company to procure (i) SOCL to remain the single largest shareholder of the Company; and (ii) Mr. Lo to remain the Chairman of the Board of Directors. Any breach of these obligations will constitute an event of default under the Loan Agreement, and the Bank may, by notice to the Company, cancel the Loan Facility and declare that all or any part of the Loan Facility, together with the accrued interest and all other amounts accrued or outstanding under the Loan Agreement, become immediately due and payable. The Loan Facility was drawn down in full in January 2022 for repayment of the outstanding principal amount of the Notes upon maturity.

Retirement Benefit Plans

Details of the Group’s retirement benefit plans are shown in note 27 to the consolidated financial statements.

Directors’ Report

Major Suppliers and Major Customers

The five largest suppliers of the Group accounted for less than 25% of the total purchases of the Group for the year.

The five largest customers of the Group accounted for approximately 73% of the total turnover of the Group for the year with the largest customer, the Architectural Services Department of The Government of the Hong Kong Special Administrative Region, accounting for approximately 42% of the turnover of the Group.

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

Donations

During the year, the Group made donations of approximately HK\$2 million to business associations and institutions as well as charity communities.

Pre-emptive Rights

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

Public Float

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

Auditor

Deloitte Touche Tohmatsu will retire and, being eligible, offer itself for re-appointment at the 2022 AGM. A resolution will be proposed at the 2022 AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Lo Hong Sui, Vincent
Chairman

Hong Kong, 30 March 2022

Independent Auditor’s Report



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

Opinion

We have audited the consolidated financial statements of SOCAM Development Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 114 to 199, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgements associated with determining their fair value.	Our procedures in relation to the valuation of investment properties included: <ul style="list-style-type: none">Obtaining an understanding of the management’s process for reviewing and evaluating the work of the Valuers;

Independent Auditor’s Report

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties (Continued)</p> <p>As disclosed in note 13 to the consolidated financial statements, the investment properties are situated in Mainland China and carried at a total value of HK\$4,719 million as at 31 December 2021, which represented 49% of the Group’s total assets. The amount of fair value changes of HK\$135 million relating to these investment properties was recognised in the consolidated statement of profit or loss for the year then ended.</p> <p>All of the Group’s investment properties are stated at fair value based on the valuations carried out by independent qualified professional valuers (the “Valuers”). Details of the valuation technique and key inputs used in the valuations are disclosed in note 13 to the consolidated financial statements. The valuations of investment properties are dependent on certain key inputs, including capitalisation rate, market rent and market price. Evaluating the reasonableness of valuation techniques and key inputs, including capitalisation rate, market rent and market price, adopted by the management of the Group and the Valuers by comparing these estimates to comparables of similar properties in Mainland China.</p>	<ul style="list-style-type: none">Evaluating the competence, capabilities and objectivity of the Valuers and obtaining an understanding of their scope of work and their terms of engagement; andEvaluating the reasonableness of valuation techniques and key inputs, including capitalisation rate, market rent and market price, adopted by the management of the Group and the Valuers by comparing these estimates to comparables of similar properties in Mainland China.
<p>Estimation of expected credit losses (“ECL”) of receivables due from a former subsidiary group and the accounting impact of the related financial guarantee</p> <p>We identified the estimation of ECL in respect of receivables of HK\$528 million due from China Central Properties Limited’s former subsidiary group (the “Debtor”) and the accounting impact of the related financial guarantee in respect of a loan granted to the Debtor as a key audit matter due to the significant judgements involved in estimating the timing and future cash flows expected to be derived from the receivables and the likelihood of the outflow of resources resulting from the financial guarantee.</p> <p>As disclosed in notes 19(d) and 32(a) to the consolidated financial statements, the Group has outstanding receivables of HK\$528 million due from the Debtor and remains as a guarantor for a loan granted to the Debtor of HK\$663 million plus related interest amounting to HK\$833 million at 31 December 2021. Courts in the People’s Republic of China have issued notices to attach the property interests held by the Debtor to cause the Debtor to settle part of the onshore outstanding receivables.</p>	<p>Our procedures in relation to estimated provision of ECL of the receivables due from the Debtor and the accounting impact of the related financial guarantee included:</p> <ul style="list-style-type: none">Obtaining an understanding of the management’s process of reviewing the estimated provision of ECL of the receivables and the accounting impact of the related financial guarantee;Enquiring with management and lawyers to understand the progress of the Auction and the Sale of Equity Interest and how the management performed the assessment on the estimated provision of ECL of the receivables and the related financial guarantee;Inspecting the relevant agreements which the Group entered into, court judgements and notices issued up to the date of our report, and the legal opinion issued by an external lawyer to assess the appropriateness of the management’s basis in evaluating the latest progress of the legal cases; and

Key audit matter	How our audit addressed the key audit matter
<p>Estimation of expected credit losses (“ECL”) of receivables due from a former subsidiary group and the accounting impact of the related financial guarantee (Continued)</p> <p>The management expects that the receivables of HK\$528 million will be fully settled and the financial guarantee of HK\$663 million plus related interest amounting to HK\$833 million will be fully released either through public auction of the property interest (the “Auction”) or the sale of the equity interest of the entity holding the property interest (the “Sale of Equity Interest”), and therefore no loss allowance for ECL is recognised. In addition, the financial guarantee in respect of the outstanding principal amount of the loan and the related interest will be fully released upon completion of the Auction or the Sale of Equity Interest.</p>	<ul style="list-style-type: none">Assessing the appropriateness of the valuation of the underlying property interest held by the Debtor performed by an independent professional valuer with reference to comparable properties and market transactions as available in the market to evaluate the reasonableness of these judgments.
<p>Recognition of contract revenue and contract assets for construction contracts</p> <p>We identified construction contract revenue and contract assets as a key audit matter as they are quantitatively significant to the consolidated financial statements as a whole and there are significant judgments exercised by the management of the Group in determining the progress towards complete satisfaction of the performance obligation and the amount of contract revenue recognised.</p> <p>As disclosed in notes 5 and 21 to the consolidated financial statements, the construction contracts revenue and contract assets amounted to HK\$4,935 million and HK\$665 million respectively for the year ended 31 December 2021. As set out in note 3 to the consolidated financial statements, the Group recognised contract revenue by reference to the progress of satisfying the performance obligation at the reporting date.</p>	<p>Our procedures in relation to the contract revenue and contract assets for construction contracts included:</p> <ul style="list-style-type: none">Testing the Group’s internal controls over the recognition of contract revenue for construction contracts;Discussing with project managers, internal quantity surveying managers and the management of the Group and checking on a sample basis, the supporting documents such as contracts and variation orders to evaluate the reasonableness of the revenue recognised;Checking the revenue to underlying construction contracts entered into with the customers and other relevant correspondences and supporting documents in respect of variations in construction works or price adjustments; andAssessing the revenue from construction contracts by comparing, on a sample basis, with the latest certificates issued by the independent quantity surveyors before and after year end.

Independent Auditor’s Report

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor’s report is Lee Po Chi.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Notes	2021 HK\$ million	2020 HK\$ million
Turnover			
The Company and its subsidiaries		5,267	5,670
Share of joint ventures		9	9
		5,276	5,679
Group turnover	5	5,267	5,670
Other income, other gains and losses	6	130	244
Cost of properties sold		(61)	(265)
Raw materials and consumables used		(280)	(284)
Staff costs		(762)	(764)
Depreciation and amortisation		(46)	(39)
Subcontracting, external labour costs and other expenses		(3,708)	(3,951)
Fair value changes on investment properties	13	(135)	(153)
Dividend income from equity investments		1	3
Finance costs	7	(161)	(198)
Share of profit of joint ventures	5	8	7
Profit before taxation		253	270
Taxation	8	(78)	(131)
Profit for the year		175	139
Attributable to:			
Owners of the Company		76	52
Non-controlling interests		99	87
		175	139
Earnings per share	11		
Basic		HK\$0.20	HK\$0.14
Diluted		HK\$0.20	HK\$0.14

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	2021 HK\$ million	2020 HK\$ million
Profit for the year	175	139
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	118	244
Reclassification adjustments for exchange differences transferred to profit or loss:		
– upon deregistration of subsidiaries	(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)	(19)
Recognition of actuarial (loss) gain	(40)	50
Other comprehensive income for the year	56	275
Total comprehensive income for the year	231	414
Total comprehensive income attributable to:		
Owners of the Company	132	327
Non-controlling interests	99	87
	231	414

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 HK\$ million	2020 HK\$ million
Non-current Assets			
Investment properties	13	4,719	4,720
Goodwill		9	9
Other intangible assets		–	3
Right-of-use assets		24	29
Property, plant and equipment	14	33	39
Interests in joint ventures	15	119	111
Financial assets at fair value through other comprehensive income	16	31	32
Financial assets at fair value through profit or loss		2	–
Club memberships		1	1
Trade debtors	19	–	7
		4,938	4,951
Current Assets			
Properties held for sale	18	757	807
Properties under development for sale	18	185	180
Debtors, deposits and prepayments	19	1,390	1,562
Contract assets	21	665	665
Amounts due from joint ventures	17	81	75
Amounts due from related companies	22	47	12
Tax recoverable		4	15
Restricted bank deposits	20	388	382
Bank balances, deposits and cash	19	1,127	1,101
		4,644	4,799
Current Liabilities			
Creditors and accrued charges	23	2,185	2,573
Contract liabilities	21	21	41
Lease liabilities		19	22
Amounts due to joint ventures	17	150	137
Amounts due to related companies	22	42	28
Taxation payable		206	180
Bank borrowings due within one year	24	934	1,037
Senior notes	25	1,227	–
		4,784	4,018
Net Current (Liabilities) Assets		(140)	781
Total Assets Less Current Liabilities		4,798	5,732

	Notes	2021 HK\$ million	2020 HK\$ million
Capital and Reserves			
Share capital	26	374	374
Reserves		2,890	2,758
Equity attributable to owners of the Company		3,264	3,132
Non-controlling interests		270	219
		3,534	3,351
Non-current Liabilities			
Bank borrowings	24	884	778
Senior notes	25	–	1,258
Lease liabilities		6	8
Defined benefit liabilities	27	63	16
Deferred tax liabilities	28	311	321
		1,264	2,381
		4,798	5,732

The consolidated financial statements on pages 114 to 199 were approved and authorised for issue by the Board of Directors on 30 March 2022 and are signed on its behalf by:

Lo Hong Sui, Vincent
Chairman

Lee Chun Kong, Freddy
Executive Director and Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company												Total Equity HK\$ million
	Share capital HK\$ million	Share premium account HK\$ million	Translation reserve HK\$ million	Contributed surplus (Note a) HK\$ million	Goodwill HK\$ million	Accumulated losses HK\$ million	Share option reserve HK\$ million	Actuarial gain and loss HK\$ million	Investment revaluation reserve HK\$ million	Other reserve (Note b) HK\$ million	Total HK\$ million	Non-controlling interests HK\$ million	
At 1 January 2020	374	2,982	103	197	(3)	(1,122)	5	(16)	1	284	2,805	177	2,982
Fair value changes of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(19)	-	(19)	-	(19)
Exchange differences arising on translation of financial statements of foreign operations	-	-	244	-	-	-	-	-	-	-	244	-	244
Recognition of actuarial gain	-	-	-	-	-	-	-	50	-	-	50	-	50
Profit for the year	-	-	-	-	-	52	-	-	-	-	52	87	139
Total comprehensive income (expense) for the year	-	-	244	-	-	52	-	50	(19)	-	327	87	414
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(45)	(45)
At 31 December 2020	374	2,982	347	197	(3)	(1,070)	5	34	(18)	284	3,132	219	3,351
Fair value changes of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(1)	-	(1)	-	(1)
Exchange differences arising on translation of financial statements of foreign operations	-	-	118	-	-	-	-	-	-	-	118	-	118
Cumulative exchange differences reclassified to profit or loss upon deregistration of subsidiaries	-	-	(21)	-	-	-	-	-	-	-	(21)	-	(21)
Recognition of actuarial loss	-	-	-	-	-	-	-	(40)	-	-	(40)	-	(40)
Profit for the year	-	-	-	-	-	76	-	-	-	-	76	99	175
Total comprehensive income (expense) for the year	-	-	97	-	-	76	-	(40)	(1)	-	132	99	231
Transfer upon lapse of share options	-	-	-	-	-	5	(5)	-	-	-	-	-	-
Partial acquisition of interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(6)	(6)
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(42)	(42)
At 31 December 2021	374	2,982	444	197	(3)	(989)	-	(6)	(19)	284	3,264	270	3,534

Notes:

- (a) The contributed surplus of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1997.
- (b) Other reserve of the Group mainly include (i) an amount of HK\$231 million (2020: HK\$231 million) recognised in prior years, which arose when the Group entered into agreements with Shui On Company Limited ("SOCL"), the Company's ultimate holding company, to co-invest in Shui On Land Limited during the year ended 31 March 2005; (ii) an amount of HK\$16 million (2020: HK\$16 million), which represents the Group's share of revaluation reserve of a then associate, China Central Properties Limited ("CCP"), arising from an acquisition achieved in stages by CCP during the year ended 31 December 2009, net of the amount released as a result of subsequent disposal of property inventories; and (iii) an amount of HK\$22 million (2020: HK\$22 million), which represents the revaluation surplus of the Group's 42.88% previously held interest in CCP, recognised upon the acquisition of the remaining 57.12% interest in CCP during the year ended 31 December 2009, net of the amount released as a result of subsequent disposal of property inventories.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK\$ million	2020 HK\$ million
Operating Activities		
Profit before taxation	253	270
Adjustments for:		
Reclassification for exchange differences upon deregistration of subsidiaries	(21)	-
Impairment loss recognised on property inventories	4	15
Expected credit losses recognised on trade debtors, contract assets and other receivables	4	2
Share of profit of joint ventures	(8)	(7)
Interest income	(25)	(30)
Finance costs	161	198
Dividend income from equity investments	(1)	(3)
Fair value changes on investment properties	135	153
Loss arising on remeasurement of other financial liabilities	-	13
Depreciation of property, plant and equipment	16	14
Depreciation of right-of-use assets	27	22
Amortisation of other intangible assets	3	3
Discount on buy-back of senior notes	(1)	(3)
Gain on disposal of property, plant and equipment	-	(1)
Expense recognised in respect to defined benefit scheme	11	13
Operating cash flows before movements in working capital	558	659
Decrease in properties held for sale	69	433
Increase in properties under development for sale	-	(326)
Decrease (increase) in debtors, deposits and prepayments	179	(293)
Decrease in contract assets	2	2
Decrease in amounts due from related companies	-	31
(Increase) decrease in amounts due from joint ventures	(1)	3
(Decrease) increase in creditors and accrued charges	(441)	83
Decrease in contract liabilities	(22)	(303)
Increase (decrease) in amounts due to joint ventures	1	(3)
Decrease in amounts due to related companies	(8)	(1)
Decrease in amounts due to non-controlling shareholders	-	(3)
Contribution to defined benefit scheme	(5)	(5)
Cash from operations	332	277
Hong Kong Profits Tax paid	(71)	(110)
Hong Kong Profits Tax refunded	10	-
Income taxes of other regions in the People's Republic of China ("PRC") paid	(3)	(19)
Net cash from operating activities	268	148

Consolidated Statement of Cash Flows

	2021 HK\$ million	2020 HK\$ million
Investing Activities		
Advance from joint ventures	3	6
Repayment from joint ventures	–	1
Additions in property, plant and equipment	(10)	(22)
Payment for construction of investment properties	(1)	(12)
Purchases of financial assets at fair value through profit or loss	(2)	–
Interest received	20	26
Proceeds from disposal of property, plant and equipment	1	2
Proceeds from disposal of investment properties	3	8
Dividends received from equity investments	1	3
Net proceeds from disposal of interest in an associate in previous year	2	4
Restricted bank deposits placed	(13)	(372)
Restricted bank deposits refunded	17	101
Net cash from (used in) investing activities	21	(255)
Financing Activities		
Drawdown of bank borrowings	452	1,366
Repayment of bank borrowings	(458)	(1,211)
Issue of senior notes	–	1,399
Expenditure incurred on issue of senior notes	–	(19)
Repayment of senior notes	–	(1,343)
Payment for buy-back of senior notes	(46)	(125)
Payment of lease liabilities	(28)	(23)
Payment for partial acquisition of interests in subsidiaries	(6)	(40)
Interest paid	(136)	(150)
Other borrowing costs paid	(7)	(6)
Dividends paid to non-controlling shareholders of subsidiaries	(42)	(45)
Net cash used in financing activities	(271)	(197)
Net increase (decrease) in cash and cash equivalents	18	(304)
Cash and cash equivalents at the beginning of the year	1,101	1,354
Effect of foreign exchange rate changes	8	51
Cash and cash equivalents at the end of the year	1,127	1,101
Analysis of the balances of cash and cash equivalents		
Bank balances, deposits and cash	1,127	1,101

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. General Information and Basis of Presentation

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

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

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

At 31 December 2021, the Group reported net current liabilities of HK\$140 million, which included HK\$1,227 million senior notes due in January 2022 (the “Senior Notes”) and HK\$806 million revolving bank loans with no fixed term of repayment. The Senior Notes, together with interest accrued thereon, was fully repaid upon its maturity in January 2022 by the proceeds from the drawdown on a new 3-year term loan facility of HK\$1.3 billion obtained in October 2021. In addition, the Directors of the Company believe that such revolving bank loans will continue to be made available to the Group and will not be withdrawn unexpectedly within the next twelve months from the end of the reporting period. Taking into account the Group’s operating cash flows and the other available credit facilities, the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the consolidated financial statements for the year ended 31 December 2021 have been prepared on a going concern basis.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s financial period beginning on 1 January 2021 for the preparation of the consolidated financial statements.

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments) Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The Group has also early applied Amendments to HKFRS 16 *COVID-19-Related Rent Concessions beyond 30 June 2021*, which will be mandatorily effective for the annual periods beginning on or after 1 April 2021.

The application of the above amendments to HKFRSs and the agenda decision 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.

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

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*

The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures.

At 1 January 2021, the Group has a United States dollars (“US\$”) bank borrowing carrying at London Interbank Offered Rate (“LIBOR”), which may be subject to interest rate benchmark reform. Since the interest rate of this US\$ LIBOR-linked bank borrowing was not transitioned to the relevant replacement rate during the year, the amendments have had no impact on the consolidated financial statements for the year ended 31 December 2021. Additional disclosures as required by HKFRS 7 are set out in note 34.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and Related Amendments ²
HKFRS 3 (Amendments)	Reference to the Conceptual Framework ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies ²
HKAS 8 (Amendments)	Definition of Accounting Estimates ²
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use ¹
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ Effective for annual periods beginning on or after a date to be determined

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.

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

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

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period.

At 31 December 2021, the Group’s rights to defer settlement for borrowings of HK\$643 million are subject to compliance with certain financial ratios within twelve months from the reporting date. Such borrowings were classified as non-current as the Group met such ratios at 31 December 2021. The Group will assess the potential impacts of the amendments in relation to the borrowings with financial and other covenants. The impacts on application, if any, will be disclosed in the Group’s future consolidated financial statements.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group’s other liabilities at 31 December 2021.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRS issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance (Cap 622).

Basis of preparation

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

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

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

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

3. Significant Accounting Policies (Continued)

Basis of preparation (Continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

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

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

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

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

3. Significant Accounting Policies (Continued)

Business combinations (Continued)

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree’s share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 “Share-based Payment” at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

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

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

3. Significant Accounting Policies (Continued)

Intangible assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is not amortised.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Other intangible assets

Other intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date. Other intangible assets with finite useful lives are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation for other intangible assets with finite useful lives is recognised on a straight-line method over their estimated useful lives.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The profit or loss and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group’s share of profit or loss and other comprehensive income of the joint ventures, less any identified impairment loss. Changes in net assets of joint ventures other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group’s share of losses equals or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, form part of the Group’s net investment in joint venture), the Group discontinues recognising its share of further losses except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

3. Significant Accounting Policies (Continued)

Investments in joint ventures (Continued)

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture maybe impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits or losses are eliminated to the extent of the Group’s interest in the joint venture.

Investments in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the operators sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation of the Group (such as a sale of assets), profits or losses are recognised only to the extent of other party’s interest in the joint operation.

When a group entity transacts with a joint operation of the Group (such as a purchase of assets), the Group does not recognise its share of the profits or losses until it resells those assets to a third party.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a promise in a contract with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. Significant Accounting Policies (Continued)

Revenue from contracts with customers (Continued)

- Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:
- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
 - the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
 - the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group unconditional right to consideration.

A contract liability represents the Group’s obligation to transfer goods and services to a customer for which the Group has received consideration from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group’s performance in transferring control of goods or services.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods and services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Details of the Group’s performance obligation in contracts with customers are as follows:

Sales of properties

Revenue from properties sales is recognised at a point in time when the completed property is delivered and transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives 10%-100% of the contract value as deposits from customers or receipts in advance from customers when they sign the sale and purchase agreement.

Deposits received on properties sold prior to the date of revenue recognition are recorded as contract liabilities under current liabilities.

3. Significant Accounting Policies (Continued)

Revenue from contracts with customers (Continued)

Construction contracts

Revenue from construction contracts is recognised over time when the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised based on the stage of completion of the contract using output method.

The Group’s construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached.

A contract asset is recognised over the period in which the construction services are performed representing the Group’s right to consideration for the services performed because the rights are conditioned on the Group’s future performance in achieving specified milestones. The contract assets are transferred to trade debtors when the rights become unconditional.

Rendering of services

Revenue from the rendering of services is recognised over the scheduled period on the straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Investment properties

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

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

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, if any, using the straight-line method. Both the useful life of an asset and its residual value and depreciation method, if any, are reviewed annually.

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

3. Significant Accounting Policies (Continued)

Club memberships

On initial recognition, club memberships are stated at cost. After initial recognition, club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Club memberships are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Properties held for sale

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

Properties under development for sale

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

Government subsidies

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

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

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

3. Significant Accounting Policies (Continued)

Borrowing costs

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

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

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Contingent liabilities

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

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

Taxation

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Taxation (Continued)

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

Leases

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

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

The Group as lessor

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

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

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

3. Significant Accounting Policies (Continued)

Leases (Continued)

The Group as lessee

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

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

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

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

Right-of-use assets

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

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

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

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

Lease liabilities

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

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

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

3. Significant Accounting Policies (Continued)

Leases (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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

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

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

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

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

COVID-19-Related Rent Concessions

For rental concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

3. Significant Accounting Policies (Continued)

Leases (Continued)

The Group as lessee (Continued)

COVID-19-Related Rent Concessions (Continued)

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Foreign currencies

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Retirement benefits costs

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

For the defined benefit retirement scheme, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in accumulated losses and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

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

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

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

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

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

3. Significant Accounting Policies (Continued)

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

A financial asset is held for trading if:

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

- (i) Amortised cost and interest income**
Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.
- (ii) Financial assets at FVTOCI**
Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "dividend income from equity investments" line item in profit or loss.
- (iii) Financial assets at FVTPL**
Financial assets at FVTPL are measured at fair value at the end of each reporting period, with net changes in fair value recognised in profit or loss. Dividends on equity investments classified as financial assets at FVTPL are also recognised as "dividend income from equity investments" in the consolidated statement of profit or loss when the right of payment has been established.

Impairment of financial assets

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

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

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

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of ‘investment grade’ as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. However, in certain cases, the Group may also consider the instrument to be in default when internal and external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is credit-impaired when one or more events of default that have a detrimental impact the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade debtors, other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

On derecognition of an investment in financial assets classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Buy-back of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through profit or loss.

Borrowings

Bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Senior notes

Senior notes are subsequently measured at amortised cost, using the effective interest method. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Other financial liabilities at amortised cost

Other financial liabilities (including creditors, other payables, lease liabilities and amounts due to joint ventures and related companies) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contract liabilities are initially at their fair values. Subsequent to initial recognition, the Group measures the financial guarantee contract liabilities at the higher of: (i) the amount of loss allowance determined in accordance with HKFRS 9; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies (Continued)

Share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date without taking into consideration of all non-market vesting condition is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, for share options, which are conditional upon satisfying specified non-market performance vesting conditions, the Group revises its estimates of the number of options that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to accumulated losses.

The Group accounts for the cancellation of share options as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. In estimating the amount to be recognised in the event of cancellation, the Group takes into account the Group's estimate of the number of options that would have vested had the cancellation not occurred.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key judgements, estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation, which involves certain estimates of market conditions. As disclosed in note 13, the investment properties carried at a total value of HK\$4,719 million (2020: HK\$4,720 million). In relying on the valuation report, the Directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

Estimation of expected credit losses of receivables due from a former subsidiary and the accounting impact of the related financial guarantee

As disclosed in notes 19(d) and 32(a), CCP disposed of a former subsidiary group (the "Debtor") in prior years. With respect to the disposal, the Group had outstanding receivables of HK\$528 million at 31 December 2021 and remained as a guarantor for a loan granted to the Debtor at a principal amount of RMB542 million (HK\$663 million) plus related interest. The receivables of HK\$528 million (2020: HK\$505 million) are expected to be settled either through public auction of the property interest (the "Auction") or the sale of the equity interest of the entity holding the property interest (the "Sale of Equity Interest"). In addition, the financial guarantee in respect of the outstanding principal amount of the loan amounting to RMB542 million (HK\$663 million) (2020: RMB542 million (HK\$644 million)) and the related interest amounting to RMB681 million (HK\$833 million) (2020: RMB614 million (HK\$730 million)) will be fully released upon completion of the Auction or the Sale of Equity Interest. With certain positive events as mentioned in note 19(d) and the fact that the Company has put in place a dedicated team, with focused efforts and through various commercial and judicial channels, management expects that the issues will be resolved. With the devoted effort of the dedicated team and advices from lawyers, management expects that the Auction will be materialised, and that the receivables will be recovered and the guarantee will be released soon after the Auction. Therefore, no loss allowance for ECL is recognised.

The Group reviews the carrying amounts of the receivables due from the Debtor at the end of the reporting period to determine whether there is any indication that these receivables have suffered an impairment loss. In determining the recoverable amount of such receivables and whether provision should be recognised in respect of the related financial guarantee contract, management has exercised judgement in estimating the timing and future cash flows to be recovered and evaluation of the probability of resources outflow that will be required, with reference to the market value of the underlying property interest held by the Debtor assessed by an independent professional valuer based on the comparable properties and market transactions as available in the market, and determined that no impairment or provision was necessary at the end of the reporting period. Management has closely monitored the progress. If the actual outcome and timing regarding the abovementioned public auction and hence the recoverability are different from expectation, an impairment loss may arise.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Deferred tax on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the Directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties in Mainland China of HK\$4,719 million at 31 December 2021 (2020: HK\$4,720 million) are held to earn rental income and they are considered to be held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on these investment properties at fair value is measured based on the tax consequences of recovering the carrying amounts of the investment properties through use.

5. Turnover and Segment Information

Revenue of the Group represents contract revenue arising on construction and building maintenance contracts, revenue from sale of properties, fees from property management and rental and leasing income.

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

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

1. Construction and building maintenance – construction, interior fit-out, renovation and maintenance of building premises mainly in Hong Kong and smart facilities management in Hong Kong and Mainland China
2. Property – property development for sale and property investment in Mainland China and provision of property management services in Hong Kong and Mainland China
3. Other businesses – venture capital investment and others

5. Turnover and Segment Information (Continued)

(a) Reportable segment revenue and profit or loss

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

For the year ended 31 December 2021

	Construction and building 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
Group's revenue from external customers	4,936	331	–	5,267
Share of joint ventures' revenue	1	–	8	9
Total segment revenue	4,937	331	8	5,276
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
Segment results have been arrived at after crediting (charging):				
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 equity investments	–	–	1	1
Finance costs	–	(15)	–	(15)
Share of profit of joint ventures	–	–	–	–
Property development	–	3	–	3
Other operations	–	–	5	5
				8

5. Turnover and Segment Information (Continued)

(a) Reportable segment revenue and profit or loss (Continued)

For the year ended 31 December 2020

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

5. Turnover and Segment Information (Continued)

(a) Reportable segment revenue and profit or loss (Continued)

Details of the Group's performance obligation in contracts with customers are described in note 3.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) and the expected timing of recognising revenue are as follows:

At 31 December 2021

	Properties sales HK\$ million	Construction contracts HK\$ million
Within one year	33	5,696
More than one year but less than two years	–	6,719
More than two years	–	1,534
	33	13,949

At 31 December 2020

	Properties sales HK\$ million	Construction contracts HK\$ million
Within one year	72	4,435
More than one year but less than two years	–	6,777
More than two years	–	3,921
	72	15,133

5. Turnover and Segment Information (Continued)

(b) Reportable segment assets and liabilities

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

At 31 December 2021

	Construction and building maintenance HK\$ million	Property HK\$ million	Other businesses HK\$ million	Total HK\$ million
Reportable segment assets	2,403	6,847	965	10,215
Reportable segment liabilities	1,977	885	432	3,294

At 31 December 2020

	Construction and building maintenance HK\$ million	Property HK\$ million	Other businesses HK\$ million	Total HK\$ million
Reportable segment assets	2,458	7,011	878	10,347
Reportable segment liabilities	2,272	769	437	3,478

(c) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	Year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Revenue		
Reportable segment revenue	5,276	5,679
Elimination of share of revenue of joint ventures	(9)	(9)
Consolidated turnover	5,267	5,670

5. Turnover and Segment Information (Continued)

(c) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities (Continued)

	Year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Profit before taxation		
Reportable segment results	461	506
Unallocated other income	–	5
Unallocated finance costs	(146)	(183)
Other unallocated corporate expenses	(62)	(58)
Consolidated profit before taxation	253	270

	At 31 December	
	2021 HK\$ million	2020 HK\$ million
Assets		
Reportable segment assets	10,215	10,347
Elimination of inter-segment receivables	(637)	(612)
Other unallocated assets	4	15
Consolidated total assets	9,582	9,750

	At 31 December	
	2021 HK\$ million	2020 HK\$ million
Liabilities		
Reportable segment liabilities	3,294	3,478
Elimination of inter-segment payables	(637)	(612)
Unallocated liabilities		
– Bank borrowings	1,584	1,758
– Senior notes	1,227	1,258
– Taxation and others	580	517
Consolidated total liabilities	6,048	6,399

5. Turnover and Segment Information (Continued)

(d) Other segment information

At 31 December 2021

	Construction and building maintenance HK\$ million	Property HK\$ million	Other businesses HK\$ million	Total HK\$ million
Interests in joint ventures	3	41	75	119
Capital expenditure	21	6	6	33
Tax charges (credit)	85	(7)	–	78

At 31 December 2020

	Construction and building maintenance HK\$ million	Property HK\$ million	Other businesses HK\$ million	Total HK\$ million
Interests in joint ventures	3	40	68	111
Capital expenditure	23	15	32	70
Tax charges	69	62	–	131

(e) Geographical information

The Group's current operations are mainly located in Hong Kong, Macau and Mainland China.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers*		Non-current assets**	
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million
Hong Kong	4,886	4,890	46	55
Macau	186	255	3	2
Mainland China	195	525	4,737	4,744
	5,267	5,670	4,786	4,801

* Revenue from external customers is attributed to countries/cities on the basis of geographical locations of the properties or operations.

** Non-current assets exclude financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, interests in joint ventures and trade debtors.

5. Turnover and Segment Information (Continued)

(f) Information about major customers

Included in external revenue arising from construction and building maintenance of HK\$4,936 million (2020: HK\$5,042 million) is revenue of HK\$2,223 million and HK\$1,087 million, which arose from services provided to the Group's largest and second largest customers respectively (2020 HK\$1,707 million and HK\$1,017 million from the Group's largest and second largest customers respectively) contributing over 10% of the total turnover of the Group.

6. Other Income, Other Gains and Losses

	2021 HK\$ million	2020 HK\$ million
Included in other income, other gains and losses are:		
Other income		
Interest income	25	30
Government subsidies (note)	10	60
Other gains and losses		
Discount on buy-back of senior notes	1	3
Exchange gain	91	166
Impairment loss recognised on property inventories	(4)	(15)
Loss arising on remeasurement of other financial liabilities	–	(13)
Expected credit losses recognised on trade debtors, contract assets and other receivables	(4)	(2)
Gain on disposal of property, plant and equipment	–	1

Note:

The government subsidies represented the wage subsidy provided in connection with the support from the Anti-epidemic Fund of the HKSAR Government under the job creation scheme in 2021 and the employment support scheme in 2020, which are recognised as income at the time the Group fulfilled the relevant granting criteria.

7. Finance Costs

	2021 HK\$ million	2020 HK\$ million
Interest on bank and other loans	65	71
Interest on senior notes	88	122
Interest on lease liabilities	1	1
Other borrowing costs	7	6
Less: amounts capitalised	–	(2)
	161	198

8. Taxation

	2021 HK\$ million	2020 HK\$ million
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	85	68
Macau Complementary Tax	–	1
PRC Enterprise Income Tax	3	(10)
PRC Land Appreciation Tax	8	83
	96	142
Deferred taxation (note 28)	(18)	(11)
	78	131

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits for the year.

Macau Complementary Tax is calculated at 12.0% (2020: 12.0%) on the estimated assessable profits for the year.

PRC Enterprise Income Tax is calculated at 25% (2020: 25%) on the estimated assessable profits for the year.

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

Details of the deferred taxation are set out in note 28.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2021 HK\$ million	2020 HK\$ million
Profit before taxation	253	270
Tax at Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	42	45
Effect of share of profit of joint ventures	(1)	(1)
Effect of different tax rates on operations in other jurisdictions	(8)	(11)
PRC Land Appreciation Tax	8	83
Tax effect of PRC Land Appreciation Tax	(1)	(14)
Tax effect of expenses not deductible for tax purposes	43	58
Tax effect of income not taxable for tax purposes	(39)	(68)
Tax effect of tax losses not recognised	27	27
Reversal of deferred tax assets for unused tax losses	8	27
Overprovision of current taxation in prior year	(1)	(10)
Others	–	(5)
Tax charge for the year	78	131

9. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees

Directors and Chief Executives

The emoluments paid or payable to each of the six (2020: six) Directors were as follows:

For the year ended 31 December 2021

Name of Director	Notes	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonus* HK\$'000	Retirement benefit scheme contributions HK\$'000	2021 Total HK\$'000
Mr. Lo Hong Sui, Vincent		10	–	–	–	10
Mr. Lee Chun Kong, Freddy		10	5,709	5,182	260	11,161
Ms. Lo Bo Yue, Stephanie	(a)	315	–	–	–	315
Ms. Li Hoi Lun, Helen	(b)	550	–	–	–	550
Mr. Chan Kay Cheung	(b)	595	–	–	–	595
Mr. William Timothy Addison	(b)	520	–	–	–	520
Total		2,000	5,709	5,182	260	13,151

For the year ended 31 December 2020

Name of Director	Notes	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonus* HK\$'000	Retirement benefit scheme contributions HK\$'000	2020 Total HK\$'000
Mr. Lo Hong Sui, Vincent		10	–	–	–	10
Mr. Lee Chun Kong, Freddy		10	5,708	1,551	260	7,529
Ms. Lo Bo Yue, Stephanie	(a)	315	–	–	–	315
Ms. Li Hoi Lun, Helen	(b)	550	–	–	–	550
Mr. Chan Kay Cheung	(b)	595	–	–	–	595
Mr. William Timothy Addison	(b)	520	–	–	–	520
Total		2,000	5,708	1,551	260	9,519

* The bonus is discretionary and is determined by reference to the Group's and the Director's personal performances.

Notes:

(a) Non-executive Director.

(b) Independent Non-executive Directors.

(c) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group, and the independent non-executive directors' emoluments were for their services as directors of the Company.

9. Directors’ and Chief Executive’s Emoluments and Five Highest Paid Employees (Continued)

Five Highest Paid Employees

Of the five highest paid individuals in the Group, one (2020: one) is Director of the Company whose emoluments are set out above. The emoluments of the remaining four (2020: four) highest paid employees were as follows:

	2021 HK\$ million	2020 HK\$ million
Salaries, bonuses and allowances	22	24
Retirement benefits scheme contributions	–	–
	22	24

The emoluments were within the following bands:

	2021 No. of employees	2020 No. of employees
HK\$4,000,001 to HK\$4,500,000	2	1
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$6,000,001 to HK\$6,500,000	1	1
HK\$7,000,001 to HK\$7,500,000	1	–
HK\$8,000,001 to HK\$8,500,000	–	1

10. Profit for the Year

	2021 HK\$ million	2020 HK\$ million
Profit for the year has been arrived at after charging:		
Cost of sales (note):		
Cost of construction	4,239	4,470
Cost of properties sold	61	265
Cost of rendering services	164	135
Direct rental outgoings arising from investment properties	30	23
	4,494	4,893
Staff costs (including directors’ emoluments) (note):		
Salaries, bonuses and allowances	720	728
Retirement benefits cost	42	38
Less: amounts capitalised	–	(2)
	762	764
Depreciation and amortisation		
Depreciation of property, plant and equipment	16	14
Depreciation of right-of-use assets	27	22
Amortisation of other intangible assets	3	3
	46	39
Auditors’ remuneration	4	4
Operating lease payments in respect of rented premises	2	2

Note:
Cost of sales includes HK\$565 million (2020: HK\$524 million) relating to staff costs, which is also included in the staff costs separately disclosed above.

11. Earnings Per Share

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

	2021 HK\$ million	2020 HK\$ million
Profit for the year attributable to owners of the Company:		
Profit for the purpose of basic and diluted earnings per share	76	52
Number of shares:	Million	Million
Weighted average number of ordinary shares for the purpose of basic earnings per share	374	374
Effect of dilutive potential ordinary shares:		
Share options	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	374	374

The Company has no outstanding shares subject to options exercisable at the end of the current year.

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

12. Dividends

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK\$0.07 (2020: nil) per share, in amount of approximately HK\$26 million (2020: nil), has been proposed by the Board and is subject to approval by the shareholders of the Company at its forthcoming annual general meeting.

13. Investment Properties

	2021 HK\$ million	2020 HK\$ million
Fair value		
At the beginning of the year	4,720	4,583
Exchange adjustments	136	286
Additions	1	12
Disposals	(3)	(8)
Decrease in fair value recognised	(135)	(153)
At the end of the year	4,719	4,720

The investment properties are completed and situated in Mainland China.

All of the Group’s property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group’s investment properties at 31 December 2021 and 31 December 2020 have been arrived at on the basis of valuations carried out on that date by Savills Valuation and Professional Services Limited, independent qualified professional valuer not connected to the Group, which have appropriate qualifications and recent experience in the valuation of similar properties in relevant locations.

In determining the fair value of the relevant properties, the Group engages the qualified external valuer to perform the valuation. The management of the Company works closely with the external valuer to establish the appropriate valuation techniques and inputs to the model. The management of the Company reports the findings of the valuation to the Directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties.

The valuations have been arrived by reference to direct comparison method as available in the market and where appropriate, on the basis of capitalisation of net income. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuer’s knowledge of the factors specific to the respective properties.

There has been no change to the valuation technique during the year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

13. Investment Properties (Continued)

The major inputs used in the fair value measurement of investment properties and information about the fair value hierarchy at 31 December 2021 and 31 December 2020 are as follows:

Investment properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 1 – Shenyang Project Phase I retail portion and car parking spaces	Level 3	Income Capitalisation Approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.25% (2020: 6.25%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 1, and vice versa
		The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Monthly market rent of retail portion, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB79-175 (2020: RMB79-175) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A significant increase in the monthly market rent used would result in a significant increase in fair value of property 1, and vice versa
		Direct Comparison Approach	Market price of car parking spaces, taking into account the time and location between the comparables and the property, of RMB250,000 (2020: RMB250,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 1, and vice versa
		The key input is market price			
Property 2 – Chongqing Creative Concepts Center retail portion and car parking spaces	Level 3	Income Capitalisation Approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 5.0% (2020: 5.0%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 2, and vice versa
		The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Monthly market rent of retail portion, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB91-228 (2020: RMB91-228) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A significant increase in the monthly market rent used would result in a significant increase in fair value of property 2, and vice versa
		Direct Comparison Approach	Market price of car parking spaces, taking into account the time and location between the comparables and the property, of RMB170,000 (2020: RMB170,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 2, and vice versa
		The key input is market price			

13. Investment Properties (Continued)

Investment properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 3 – Guangzhou Parc Oasis car parking spaces	Level 3	Direct Comparison Approach The key input is market price	Market price, taking into account the time and location between the comparables and the property, of RMB330,000 (2020: RMB330,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 3, and vice versa
Property 4 – Chengdu Centropolitan retail portion, office and car parking spaces	Level 3	Income Capitalisation Approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 4.25%-5.00% (2020: 4.5%-5.0%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 4, and vice versa
		The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Monthly market rent of properties other than car parking spaces, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB85-196 (2020: RMB88-196) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A significant increase in the monthly market rent used would result in a significant increase in fair value of property 4, and vice versa
		Direct Comparison Approach	Market price of car parking spaces, taking into account the time and location between the comparables and the property, of RMB160,000 (2020: RMB160,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 4, and vice versa
		The key input is market price			
Property 5 – Tianjin Veneto Phase 1	Level 3	Income Capitalisation Approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.5% (2020: 6.5%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 5, and vice versa
		The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Monthly market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB24-94 (2020: RMB24-94) per sqm per month on gross floor area basis	The higher the market unit rent, the higher the fair value	A significant increase in the market unit rent used would result in a significant increase in fair value of property 5, and vice versa

14. Property, Plant and Equipment

	Properties in other regions of the PRC HK\$ million	Plant and machinery HK\$ million	Motor vehicles HK\$ million	Equipment, furniture and other assets HK\$ million	Total HK\$ million
At cost					
At 1 January 2020	1	2	21	113	137
Additions	–	–	9	13	22
Disposals	–	(1)	(9)	–	(10)
Exchange adjustments	–	–	–	4	4
At 31 December 2020	1	1	21	130	153
Additions	–	–	5	5	10
Disposals	–	(1)	(3)	(5)	(9)
Exchange adjustments	–	–	–	2	2
At 31 December 2021	1	–	23	132	156
Accumulated depreciation and impairment					
At 1 January 2020	–	2	15	88	105
Charge for the year	–	–	4	10	14
Eliminated on disposals	–	(1)	(8)	–	(9)
Exchange adjustments	–	–	–	4	4
At 31 December 2020	–	1	11	102	114
Charge for the year	–	–	5	11	16
Eliminated on disposals	–	(1)	(3)	(4)	(8)
Exchange adjustments	–	–	–	1	1
At 31 December 2021	–	–	13	110	123
Carrying values					
At 31 December 2021	1	–	10	22	33
At 31 December 2020	1	–	10	28	39

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Properties in other regions of the PRC (all of which are buildings located on land held under medium-term leases)	2.5% or remaining lease term, if shorter
Plant and machinery	10 – 25%
Motor vehicles, equipment, furniture and other assets	20 – 50%

15. Interests in Joint Ventures

(i) Joint ventures

	2021 HK\$ million	2020 HK\$ million
Cost of unlisted investments in joint ventures, net of impairment	316	316
Share of post-acquisition losses and other comprehensive income	(197)	(205)
	119	111

Particulars of the principal joint ventures are set out in note 39.

The summarised financial information in respect of the joint ventures that are not individually material to the Group at and for each of the years ended 31 December 2021 and 31 December 2020 attributable to the Group's interest is as follows:

	2021 HK\$ million	2020 HK\$ million
Profit after tax	8	7
Total comprehensive income	8	7

The Group has discontinued recognition of its share of loss of a joint venture in Nanjing because the Group's share of losses of this joint venture in previous years has exceeded its investment cost. The amounts of the unrecognised share of (losses) profit of the joint venture, both for the year and cumulatively, are as follows:

	2021 HK\$ million	2020 HK\$ million
Unrecognised share of (loss) profit of the joint venture for the year	(4)	1
Accumulated unrecognised share of losses of the joint venture	(57)	(53)

(ii) Joint operations

The Group's joint operation, China State – Shui On Joint Venture, was formed for the design and construction of the Centre of Excellence in Paediatrics in Hong Kong. The Group has a 40% interest in this joint operation, which was set up and operating in Hong Kong.

16. Financial Assets at Fair Value Through Other Comprehensive Income

	2021 HK\$ million	2020 HK\$ million
Financial assets at fair value through other comprehensive income		
Listed equity securities in Hong Kong (note)	31	32

Note:

The above listed equity securities represent the Group's equity interest in Shui On Land Limited ("SOL") and they are classified as level 1 fair value measurement and is derived from quoted market price. At 31 December 2021, the Group held a 0.4% (2020: 0.4%) equity interest in SOL.

17. Amounts due from/to Joint Ventures

	2021 HK\$ million	2020 HK\$ million
Amounts due from joint ventures (note a)	81	75
Amounts due to joint ventures (note b)	150	137

Notes:

(a) The balances are unsecured, interest-free and repayable on demand. In the opinion of the Directors of the Company, the balances will be recoverable in the next twelve months from the end of the reporting period.

(b) The balances are unsecured and repayable on demand. Out of the total balance, a total of HK\$60 million (2020: HK\$59 million) bear interest at 4.35% per annum (2020: 4.35%) and the rest is interest-free.

18. Properties held for Sale/Properties under Development for Sale

The properties held for sale and properties under development for sale are situated in Mainland China.

	2021 HK\$ million	2020 HK\$ million
Properties held for sale	757	807
Properties under development for sale (note a)	185	180

Notes:

(a) Properties under development for sale of HK\$114 million at 31 December 2021 (2020: HK\$111 million) represent the carrying value of the properties expected to be completed and available for sale after one year from the end of the reporting period.

(b) The leasehold land element cannot be allocated in proportion to the relative carrying amounts and the entire properties are classified as properties held for sale or properties under development for sale.

19. Other Current Assets

Debtors, deposits and prepayments

	2021 HK\$ million	2020 HK\$ million
Trade debtors (note b)		
Construction contracts	408	646
– Sales of goods	4	4
– Rendering of services	28	22
– Operating lease receivables	11	17
	451	689
Less: Allowance for credit losses	(8)	(6)
	443	683
Consideration receivable in respect of disposal of an associate (note c)	32	34
Prepayments, deposits and other receivables (note d)	919	852
Less: Allowance for credit losses	(4)	–
	1,390	1,569
Less: amounts due for settlement after 12 months	–	(7)
	1,390	1,562

Notes:

(a) The Group maintains a defined credit policy to assess the credit quality of each counterparty. Collections are closely monitored to minimise any credit risk associated with trade debtors. The general credit term ranges from 30 to 90 days.

(b) At 1 January 2020, 31 December 2020 and 31 December 2021, trade debtors from contracts with customers amounted to HK\$371 million, HK\$672 million and HK\$440 million respectively.

(c) The balance carries interest at 15% per annum.

(d) Included in prepayments, deposits and other receivables are receivables of HK\$528 million (2020: HK\$505 million) due from CCP's former subsidiary group (the "Debtor"), which hold a property interest in the PRC and were disposed of in 2008. The amounts are repayable on demand and out of the total outstanding balance, an amount of HK\$147 million (2020: HK\$143 million) carries interest at prevailing market rates. A court in the PRC issued notices to attach the aforesaid property interest to cause the Debtor to settle part of the onshore outstanding receivables in the amount of RMB318 million (approximately HK\$389 million) (2020: RMB276 million (approximately HK\$328 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 32(a)). Given that there have been continued positive outcomes in the legal disputes in relation to the property interest and recovery of the outstanding receivables, including the successful registration of title deed of the property under the name of the Debtor in May 2015, the Directors of the Company believe that these receivables will be fully settled and the guarantee provided by the Company will be fully released either through the public auction of the aforesaid property interest or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

19. Other Current Assets (Continued)

Debtors, deposits and prepayments (Continued)

The following is an aged analysis of trade debtors (based on the repayment terms set out in sale and purchase agreements or invoice date, as appropriate) net of allowance for credit losses at the end of the reporting period:

	2021 HK\$ million	2020 HK\$ million
Trade debtors aged analysis:		
Not yet due or within 90 days	438	673
Amounts past due but not impaired:		
91 days to 180 days	2	1
181 days to 360 days	2	6
Over 360 days	1	3
	5	10
	443	683

Movement in the allowance for credit losses under life time ECL:

	2021 HK\$ million	2020 HK\$ million
Balance at the beginning of the year	6	5
Increase in provision recognised for the year	2	1
Balance at the end of the year	8	6

Included in the trade debtors are receivables of HK\$3 million (2020: HK\$9 million), which are aged over 180 days, based on the date on which revenue was recognised.

No provision for impairment is considered necessary in respect of the amounts past due but not impaired as there has not been a significant change in credit quality and balances are still considered fully recoverable.

Details of impairment assessment of trade debtors and other receivables for the year ended 31 December 2021 are set out in note 34.

Bank balances, deposits and cash

Bank balances, deposits and cash comprise cash held by the Group and deposits carry interest at market rates with original maturity of three months or less held with banks.

20. Restricted Bank Deposits

Balance at 31 December 2021 represent custody deposits amounting to HK\$388 million (2020: HK\$382 million) placed with banks mainly in relation to certain banking facilities of the Group.

The deposits carried interest at market rates, which ranged from 0.01% to 2.03% (2020: 0.01% to 2.03%) per annum.

21. Contract Assets and Contract Liabilities

(i) Contract assets

	2021 HK\$ million	2020 HK\$ million
Relating to construction contracts (note)	665	665

At 1 January 2020, contract assets amounted to HK\$668 million.

The contract assets primarily relate to the Group’s rights to consideration for work completed but not billed because the rights are conditional on the Group’s future performance in achieving specified milestones at the reporting date on construction. The contract assets are transferred to trade debtors when the rights become unconditional.

The Group’s construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group also typically agrees to one to two years retention period for 1% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group’s entitlement to this final payment become unconditional upon expiration of the defects liability period.

Note:
At 31 December 2021, the amount of contract assets that is expected to be recovered after more than one year is HK\$45 million (2020: HK\$91 million), all of which relates to retention receivable.

(ii) Contract liabilities

	2021 HK\$ million	2020 HK\$ million
Relating to property sales	21	41

The Group receives a fixed sum as deposits from customers from property sales when they sign the sale and purchase agreement. These deposits are recognised as contract liabilities until the customers obtain control of the completed properties.

When the Group receives a deposit before construction services is rendered, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

21. Contract Assets and Contract Liabilities (Continued)

(ii) Contract liabilities (Continued)

Movements in contract liabilities:

	2021 HK\$ million	2020 HK\$ million
Balance at the beginning of the year	41	324
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(42)	(326)
Increase in contract liabilities as a result of receiving deposits in respect of property sales	21	41
Exchange adjustments	1	2
Balance at the end of the year	21	41

22. Amounts due from/to Related Companies

	2021 HK\$ million	2020 HK\$ million
Amounts due from related companies (notes a and b)	47	12
Amounts due to related companies (notes a and b)	42	28

Notes:

(a) The related companies are subsidiaries of SOCL.

(b) The balances are unsecured, interest-free and repayable on demand.

23. Creditors and Accrued Charges

The aged analysis of creditors (based on invoice date) of HK\$414 million (2020: HK\$396 million), which are included in the Group's creditors and accrued charges, is as follows:

	2021 HK\$ million	2020 HK\$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	372	353
31 days to 90 days	20	22
91 days to 180 days	9	6
Over 180 days	13	15
	414	396
Retention payable (note b)	285	375
Provision for contract work/construction cost	1,224	1,488
Other accruals and payables	262	314
	2,185	2,573

Notes:

(a) The average credit period on purchases of certain goods is 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

(b) The balances include retention payable of HK\$126 million (2020: HK\$115 million), which is due after one year from the end of the reporting period.

24. Bank Borrowings

	2021 HK\$ million	2020 HK\$ million
Secured bank borrowings	1,004	1,152
Unsecured bank borrowings	814	663
	1,818	1,815
Less: Amounts due within 12 months	(934)	(1,037)
Amounts due for settlement after 12 months	884	778
Carrying amount repayable:		
Within one year	934	1,037
More than one year but not exceeding two years	762	215
More than two years but not exceeding five years	81	494
More than five years	41	69
	1,818	1,815

24. Bank Borrowings (Continued)

The carrying amounts of the Group’s bank borrowings are analysed as follows:

Denominated in	Interest rate at end of the year (per annum)	2021 HK\$ million	2020 HK\$ million
At variable rates			
Hong Kong dollars	1.10% to 3.41% (2020: 1.14% to 3.05%)	1,506	1,463
Renminbi	4.90% to 5.75% (2020: 4.90% to 5.80%)	234	275
United States dollars	1.10% (2020: 1.14%)	78	77
		1,818	1,815

The variable interest rates are linked to Hong Kong Interbank Offered Rate (“HIBOR”), LIBOR and prevailing Loan Prime Rate published by the People’s Bank of China.

- Notes:
- 1. The Group’s investment properties amounting to HK\$3,453 million (2020: HK\$3,482 million) were pledged as security for certain banking facilities granted to the Group at the end of the reporting period.
 - 2. Restricted bank deposits amounting to HK\$387 million at 31 December 2021 (2020: HK\$365 million) were placed with banks in relation to certain banking facility arrangements entered into with the Group.
 - 3. In addition, certain equity interests in some subsidiaries were also charged to banks as security for certain banking facilities granted to the Group at the end of the reporting period.
 - 4. In respect of certain bank borrowings with carrying amount of HK\$1,426 million at 31 December 2021 (2020: HK\$1,434 million), the Group is required to comply with certain financial covenants throughout the continuance of the relevant borrowings and/or as long as the borrowings are outstanding. The Group has complied with these covenants throughout the reporting period.

25. Senior Notes

	2021 HK\$ million	2020 HK\$ million
At the beginning of the year	1,258	1,344
Issue of new senior notes	–	1,399
Less: Transaction costs directly attributable to issue	–	(19)
Interests charged during the year	88	122
Less: Discount on buy-back of senior notes	(1)	(3)
Less: Interest payable reclassified to other payables	(79)	(108)
Less: Buy-back of senior notes	(46)	(125)
Less: Repayment of senior notes	–	(1,343)
Exchange adjustments	7	(9)
At the end of the year	1,227	1,258
Less: Amount due within one year shown under current liabilities	(1,227)	–
Amount due after one year	–	1,258

At 31 December 2021, the senior notes carry interest at 6.25% (2020: 6.25%) per annum.

25. Senior Notes (Continued)

During the year ended 31 December 2021, the Group bought-back US\$6 million (HK\$47 million) senior notes from open market at a price ranged from 98.0% to 99.7% to its face value. The difference between the buy-back consideration paid and the carrying amount of senior notes derecognised, amounting to approximately HK\$1 million, is included in “other income, other gains and losses”.

Subsequent to the end of the reporting period, the senior notes, together with interest accrued thereon, were fully repaid upon its maturity in January 2022.

26. Share Capital

	2021 Number of shares	2020 Number of shares	2021 HK\$ million	2020 HK\$ million
Authorised				
Ordinary shares of HK\$1 each:				
At the beginning and the end of the year	1,000,000,000	1,000,000,000	1,000	1,000
Issued and fully paid				
At the beginning and the end of the year	374,396,164	374,396,164	374	374

No new shares were issued during the year.

27. Retirement Benefit Plans

Hong Kong

The Group participates in both a defined benefit scheme (the “Scheme”), which is registered under the Occupational Retirement Schemes Ordinance and a Mandatory Provident Fund Scheme (the “MPF Scheme”), which is a defined contribution scheme and established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the Scheme or switching to the MPF Scheme. All employees joining the Group on or after 1 December 2000 have been required to join the MPF Scheme.

Mandatory Provident Fund Scheme

For members of the MPF Scheme, contributions are made by the employee at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employee’s salary, depending on the employee’s length of service with the Group.

The Group’s contributions to the MPF Scheme charged to the consolidated statement of profit or loss as staff cost during the year amounted to HK\$27 million (2020: HK\$23 million). The amount of employer’s voluntary contributions to the MPF Scheme forfeited for the years ended 31 December 2021 and 31 December 2020 was immaterial and was used to reduce the existing level of contributions.

27. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme

Contributions to the Scheme are made by the members at 5% of their salaries and by the Group at rates, which are based on recommendations made by the actuary to the Scheme. The current employer contribution rate is 9.0% (2020: 5.8%) of the members' salaries. Under the Scheme, a member is entitled to retirement benefits, which comprise the sum of any benefits transferred from another scheme and the greater of the sum of the employer's scheduled contribution plus the member's contribution (both contributions being calculated on the scheme salary of the member) accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the years of service in the Scheme on the attainment of the retirement age of 60. For members who joined the Scheme before 1997, the retirement age is 60 for male members and 55 for female members.

The Scheme typically exposes the Company to the following key risks:

- Investment risk**
Strong investment returns tend to increase the fair value of Scheme assets and therefore improve the Scheme's financial position as measured by the net defined benefit liability/asset, whilst poor or negative investment returns tend to weaken the position.

The members' balances are credited with 6% per annum and 1% per annum interest to pre and post 1 September 2003 balances respectively. Therefore, investment returns are expected to cover the interest to be credited to members' balances over the long term.

The Scheme assets are invested in a diversified portfolio of equities, hedge funds, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location helps to reduce the concentration of risk associated with the Scheme investments.
- Interest rate risk**
The defined benefit obligation is calculated using a discount rate based on market bond yields. A decrease in the bond yields will increase the defined benefit obligation.
- Salary risk**
The defined benefit obligation is calculated with reference to the future salaries of members because the Scheme's benefits are salary-related. Salary increases that are higher than expected will increase the defined benefit obligation.

The most recent actuarial valuations of the Scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2021 by Mr. Leong-Hang Choi of Willis Towers Watson, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

27. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

The principal actuarial assumptions used at the end of the reporting periods are as follows:

	2021	2020
Discount rate	1.1%	0.3%
Expected rate of salary increase	2.0% p.a.	1.5% p.a.

The actuarial valuation shows that the fair value of the Scheme assets attributable to the Group at 31 December 2021 was HK\$303 million (2020: HK\$398 million), representing 83% (2020: 96%) of the benefits that has accrued to members.

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income for the year in respect of the Scheme are as follows:

	Year ended 31 December	
	2021 HK\$ million	2020 HK\$ million
Current service cost	9	11
Net interest on net defined benefit liabilities	-	1
Administrative expenses paid from scheme assets	2	1
Defined benefit cost recognised in the consolidated statement of profit or loss	11	13
Actuarial loss due to experience adjustment	1	5
Actuarial gain due to financial assumption changes	(7)	(7)
Return on Scheme assets less (greater) than discount rate	46	(48)
Remeasurement effects recognised in the consolidated statement of other comprehensive income	40	(50)
Total	51	(37)

27. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

The amount included in the consolidated statement of financial position arising from the Group’s obligations in respect of the Scheme is as follows:

	2021 HK\$ million	2020 HK\$ million
Present value of defined benefit obligation	(366)	(414)
Fair value of Scheme assets	303	398
Defined benefit liabilities included in the consolidated statement of financial position	(63)	(16)

The Scheme assets do not include any shares in the Company (2020: nil).

Movements of the present value of defined benefit obligation are as follows:

	2021 HK\$ million	2020 HK\$ million
At the beginning of the year	414	445
Current service cost	9	11
Interest cost	2	7
Employees’ contributions	4	5
Actuarial loss – experience adjustment	1	5
Actuarial gain – financial assumptions	(7)	(7)
Benefits paid	(59)	(57)
Transfer in	2	5
At the end of the year	366	414

27. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

Movements of the present value of Scheme assets are as follows:

	2021 HK\$ million	2020 HK\$ million
At the beginning of the year	398	387
Interest income on Scheme assets	1	6
Return on scheme assets (less) greater than discount rate	(46)	48
Employers’ contributions	5	5
Employees’ contributions	4	5
Benefits paid	(59)	(57)
Transfer in	2	5
Administrative expenses paid from scheme assets	(2)	(1)
At the end of the year	303	398

The major categories of Scheme assets of total Scheme assets are as follows:

	2021 HK\$ million	2020 HK\$ million
Equities	203	199
Bonds	91	179
Cash and others	9	20
	303	398

The fair value of the Scheme assets is determined based on quoted market price in active market.

27. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

The below tables summarises the results of sensitivity analysis on the defined benefit obligation (“DBO”), based on reasonably possible changes in significant actuarial assumptions.

	Adopted rate	Change to Adopted rate	Rate used in sensitivity analysis	Effect on DBO HK\$ million	Effect on DBO %
At 31 December 2021					
Discount rate	1.1%	+0.25%	1.35%	(5)	(1.2%)
		-0.25%	0.85%	5	1.3%
Expected rate of salary increase	2.0%	+0.25%	2.25%	4	1.1%
		-0.25%	1.75%	(4)	(1.1%)
At 31 December 2020					
Discount rate	0.3%	+0.25%	0.55%	(5)	(1.3%)
		-0.25%	0.05%	5	1.3%
Expected rate of salary increase	1.5%	+0.25%	1.75%	5	1.1%
		-0.25%	1.25%	(5)	(1.1%)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The expected contributions to the Scheme during the next financial year are as follows:

	2021 HK\$ million	2020 HK\$ million
Expected employer contributions	7	5
Expected member contributions	4	4

The weighted average duration of the defined benefit obligation at 31 December 2021 is 4.9 years (2020: 4.7 years).

27. Retirement Benefit Plans (Continued)

PRC

The employees of the Company’s subsidiaries in the PRC are members of state-managed retirement plans operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement plans to fund the benefits. The only obligation of the Group with respect to the retirement plans is to make the specified contributions. The Group’s contributions to state-managed retirement plans charged to the consolidated statement of profit or loss as staff cost during the year amounted to HK\$4 million (2020: HK\$2 million).

No other post-retirement benefits are provided to the employees of the Group.

28. Deferred Taxation

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$ million	Revaluation of properties HK\$ million	Tax losses HK\$ million	Total HK\$ million
At 1 January 2020	(1)	(406)	94	(313)
Exchange adjustments	–	(23)	4	(19)
(Charge) credit to consolidated statement of profit or loss	(1)	45	(33)	11
At 31 December 2020	(2)	(384)	65	(321)
Exchange adjustments	–	(10)	2	(8)
Credit (charge) to consolidated statement of profit or loss	–	27	(9)	18
At 31 December 2021	(2)	(367)	58	(311)

- Notes:
- (a) For the purposes of the consolidated statement of financial position presentation certain deferred tax assets and liabilities have been offset.
 - (b) At 31 December 2021, the Group had unused tax losses of HK\$2,024 million (2020: HK\$2,039 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK\$230 million (2020: HK\$257 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$1,794 million (2020: HK\$1,782 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2021 are tax losses of approximately HK\$552 million (2020: HK\$506 million) that will expire within 5 years from the year of originating. Other tax losses may be carried forward indefinitely.
 - (c) Under the tax regulations of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Group’s PRC investees from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to profits earned by the Company’s PRC subsidiaries amounting to HK\$688 million at 31 December 2021 (2020: HK\$702 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. Lease Arrangements

As lessee

The Group leases certain office properties. Leases are negotiated for lease terms ranging from one to three years. Information about leases for which the Group is a lessee is presented below.

(a) Right-of-use assets

	2021 HK\$ million	2020 HK\$ million
At the beginning of the year	29	15
Depreciation	(27)	(22)
Additions	22	36
At the end of the year	24	29

(b) Amounts recognised in profit or loss

	2021 HK\$ million	2020 HK\$ million
Depreciation of right-of-use assets	27	22
Interest on lease liabilities	1	1
Expenses relating to short-term leases	2	2

(c) Amounts recognised in statement of cash flows

	2021 HK\$ million	2020 HK\$ million
Total cash outflow for leases	28	23

29. Lease Arrangements (Continued)

As lessor

The Group leases out its investment properties and all leases are classified as operating leases. Rental income from the Group’s investment properties during the year ended 31 December 2021 was HK\$85 million (2020: HK\$68 million), of which contingent rental income was HK\$8 million (2020: HK\$8 million).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 HK\$ million	2020 HK\$ million
Within one year	70	68
After one year but within two years	57	59
After two years but within three years	39	47
After three years but within four years	31	33
After four years but within five years	24	29
After five years	79	122
	300	358

30. Capital Commitments

At 31 December 2021, the Group had capital commitments of HK\$37 million (2020: nil) in respect of acquisition of a subsidiary (note 37).

31. Share-based Payments

On 22 August 2012, the Company adopted a share option scheme (the “Existing Scheme”), which has a life of 10 years until 21 August 2022, to replace the share option scheme adopted on 27 August 2002 (the “Old Scheme”), which had expired on 30 August 2012. Since then, no further option can be granted under the Old Scheme, but all options granted previously remained exercisable in accordance with the terms of the Old Scheme and the relevant letters of offers to the respective grantees. The principal terms of each of the Existing Scheme and Old Scheme are summarised below:

(i) The Existing Scheme

1. Purpose

To grant share incentives for recognising, acknowledging and promoting the contributions which eligible participants have made or may make to the Group.

2. Eligible participants

Any of the following persons whose eligibility is determined by the Board from time to time on the basis of his performance and contribution to the development and growth of the Group: any employee, director, officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity.

31. Share-based Payments (Continued)

(i) The Existing Scheme (Continued)

3. Total number of shares available for issue
- 48,402,842 shares, representing approximately 12.9% of the issued shares of the Company as of 31 December 2021.
4. Maximum entitlement of each eligible participant
- Not exceeding 1% of the shares of the Company in issue in any 12-month period, unless approved by shareholders of the Company in general meeting.
5. Period within which the shares must be taken up under an option
- As determined by the Board when offering the grant of any option, provided that such period must not be more than 10 years from the date of grant of the option.
6. Minimum period for which an option must be held before it could be exercised
- As determined by the Board when offering the grant of any option.
7. Exercise price
- Not less than the highest of: (i) the closing price of a share of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as shown in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.
8. Payment on and period of acceptance
- Payment of HK\$1.00 by each eligible participant to the Company on acceptance of an offer of option within 28 days from the date of the offer.

(ii) The Old Scheme

1. Purpose
- To grant share incentives for recognising and acknowledging the contributions which eligible participants had made or might make to the Group.
2. Eligible participants
- Any of the following persons whose eligibility was determined by the Board from time to time on the basis of his performance and contribution to the development and growth of the Group: any employee, director, officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity.
3. Total number of shares available for issue
- Nil.
4. Maximum entitlement of each eligible participant
- Not exceeding 1% of the shares of the Company in issue in any 12-month period, unless approved by shareholders of the Company in general meeting.

31. Share-based Payments (Continued)

(ii) The Old Scheme (Continued)

5. Period within which the shares must be taken up under an option
- As determined by the Board when offering the grant of any option, provided that such period must not be more than 10 years from the date of grant of the option.
6. Minimum period for which an option must be held before it could be exercised
- As determined by the Board when offering the grant of any option.
7. Exercise price
- Not less than the highest of: (i) the closing price of a share of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as shown in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.
8. Payment on and period of acceptance
- Payment of HK\$1.00 by each eligible participant to the Company on acceptance of an offer of option within 28 days from the date of the offer.

The following tables disclose details of the Company’s share options held by employees (including the Directors of the Company) and movements in such holdings during the year.

Date of grant	Subscription price per share HK\$	Number of shares subject to options					Period during which share options outstanding are exercisable	Average closing reference price for exercise of options HK\$ (Note)
		At 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2021		
28 July 2011	10.00	1,442,000	-	-	(1,442,000)	-	1 May 2015 to 27 July 2021	-
Number of shares subject to options exercisable at the end of the year							-	

31. Share-based Payments (Continued)

Date of grant	Subscription price per share	Number of shares subject to options					Period during which share options are exercisable	Average closing reference price for exercise of options
		At 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2020		
	HK\$							HK\$ (Note)
28 July 2011	10.00	1,442,000	-	-	-	1,442,000	1 May 2015 to 27 July 2021	-
Number of shares subject to options exercisable at the end of the year						1,442,000		

Note: No share options were exercised during the years ended 31 December 2021 and 2020.

The vesting conditions of the share option grant are as follows:

Service Requirement	The options might vest on 1 May 2015 subject to the satisfaction of all the performance conditions, and the vested options will become exercisable in accordance with the following schedule: 50%: from 1 May 2015 25%: from 1 January 2016 25%: from 1 January 2017
Performance Hurdle	Vesting of the options was based on, in the case of grants to Executive Directors, the achievement of corporate performance targets covering three major areas of financial performance, project-specific achievement and future growth potential and, in the case of grants to selected key executives, both the achievement of the said corporate performance targets as well as individual performance, over a period of the 3.5 years from 1 July 2011 to 31 December 2014.

The vesting schedule is as follows:

Performance	Vested portion of options
Excellent (> 150% of target)	Up to 100%
Superior (125% – 150% of target)	Up to 80%
Good (100% of target)	Up to 40%
Fair (75% of target)	Up to 20%
Poor (<75% of target)	0%

No share options were granted by the Company pursuant to the Existing Scheme during the years ended 31 December 2021 and 2020. Therefore, no considerations were received by the Company for taking up any share option during both years.

No expense was recognised for the year ended 31 December 2021 (2020: nil) in relation to share options granted by the Company. All share options granted were lapsed as at 31 December 2021.

32. Contingent Liabilities

At 31 December 2021, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

- (a) In 2007, the Company issued a guarantee (the “Guarantee”) in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of CCP at that time (the “Former Subsidiary”). Subsequently, the Former Subsidiary was sold by CCP in 2008, but the Company remained as the guarantor for the bank loan following the disposal (see note 19(d) for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the “New Lender”). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company’s obligations under the Guarantee to October 2022, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK\$663 million) (2020: RMB542 million (HK\$644 million)) and the related interest amounting to RMB681 million (HK\$833 million) (2020: RMB614 million (HK\$730 million)) are secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and at the end of the reporting period after taking into consideration the possibility of the default of the parties involved and the collateral of the loan. Accordingly, no value has been recognised in the consolidated statement of financial position.
- (b) The Group is in discussion with the local government authority in the PRC with respect to the delay in construction completion of a development project in Tianjin, by the date as stipulated in the relevant land grant contracts. The relevant local government authority has accepted certain of the reasons identified by the Group in supporting the application for extending the completion date of the project. Based on the respective supplemental land grant contracts, a penalty of 0.02% of the land grant premium per day would be imposed from 29 June 2018 until the completion of the construction. Taking into account the aforesaid extension as accepted by the government authority and the fact that phase 1 of the project has been completed in 2015 and is in operation; and phase 2 of the project has been launched for sale since January 2019, the estimated penalty as at 31 December 2021, if any, will not be more than RMB14 million (2020: 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.

33. Material Related Party Transactions

(a) During the year, the Group had the following transactions with SOCL and its subsidiaries other than those of the Group ("SOCL Private Group").

Nature of transactions	2021 HK\$ million	2020 HK\$ million
Dividend income	1	3
Management and information system services	1	–
Property management services income	8	7
Rental expenses	1	1

The outstanding balances with SOCL Private Group at the end of the reporting period are disclosed in note 22.

(b) During the year, the Group had the following transactions with joint ventures.

Nature of transactions	2021 HK\$ million	2020 HK\$ million
Interest expenses	11	11
Subcontracting work expenses	3	2

The outstanding balances with joint ventures at the end of the reporting period are disclosed in note 17.

(c) The Group is licensed by Shui On Holdings Limited, a wholly-owned subsidiary of SOCL, to use the trademark, trade name of "Shui On", "瑞安" and/or the Seagull devices on a non-exclusive, royalty-free basis for an unlimited period of time.

(d) Disclosures of the remuneration of Directors and other members of key management during the year under HKAS 24 "Related Party Disclosures", were as follows:

	2021 HK\$ million	2020 HK\$ million
Fees	2	2
Salaries and other benefits	22	24
Performance bonuses	18	17
Retirement benefit scheme contributions	1	1
	43	44

The remuneration of Executive Directors is determined by the Remuneration Committee having regard to the performance of each individual. The Remuneration Committee also determines the guiding principles applicable to the remuneration of key executives who are not Directors. In both cases, the Remuneration Committee has made reference to market trends.

Certain of the above related party transactions also constituted non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules, details of which are disclosed under the Directors' Report section.

34. Financial Instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. There has been no change in the Group's exposure to capital risk or the manner in which it manages and measures the risk.

The capital structure of the Group consists of debts, which include bank borrowings and senior notes, and equity attributable to the owners of the Company, comprising issued share capital, reserves and accumulated losses.

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will adjust its overall capital structure through the issue of new shares, new debt or the redemption of existing debt.

(b) Categories of financial instruments

	2021 HK\$ million	2020 HK\$ million
Financial assets		
At fair value through other comprehensive income	31	32
At fair value through profit or loss	2	–
At amortised cost	3,019	3,126
Financial liabilities		
At amortised cost	4,016	4,091

(c) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, debtors, amounts due from joint ventures and related companies, restricted bank deposits, bank balances, deposits and cash, creditors, amounts due to joint ventures and related companies, lease liabilities, senior notes and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

34. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Market risk

The Group is exposed primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices. There has been no change to the Group’s exposure to market risk or the manner in which it manages and measures the risk. Details of each type of market risk are described as follows:

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and variable-rate borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk but would consider doing so in respect of significant exposure should the need arise.

The Group is also exposed to fair value interest rate risk in relation to the fixed-rate senior notes and interest-bearing financial assets.

The Group’s exposure to interest rates on bank deposits and financial liabilities is detailed in the liquidity risk management section of this note. The Group’s cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR and People’s Bank of China Loan Prime Rate arising from the Group’s borrowings.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for variable-rate borrowings. No sensitivity analysis is performed for bank deposits as the management considered the risk is immaterial. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. An increase or decrease of 100 basis points (2020: 100 basis points) is used when reporting the interest rate risk internally and represents management’s assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been increased/decreased by 100 basis points (2020: 100 basis points) and all other variables were held constant, the Group’s post-tax profit for the year would decrease/increase by approximately HK\$18 million for the year ended 31 December 2021 (2020: HK\$18 million). In the management’s opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

(ii) Foreign currency risk

Most of the Group’s financial assets and financial liabilities are denominated in Hong Kong dollars or Renminbi, which are the same as the functional currency of the relevant group entities. The Group has certain bank balances and cash, current accounts with joint ventures and borrowings, which are denominated in foreign currencies and hence exposure to exchange rate fluctuations arises. The Group currently manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and will take out currency hedging contracts to reduce its foreign currency risk, where appropriate.

34. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Foreign currency risk (Continued)

The carrying amounts of the Group’s foreign currency denominated monetary assets and monetary liabilities are as follows:

	2021 HK\$ million	2020 HK\$ million
Assets		
Renminbi	1,631	1,597
United States dollars	95	95
Hong Kong dollars	152	306
Liabilities		
United States dollars	1,305	1,344
Hong Kong dollars	921	617

Foreign currency sensitivity

The Group’s foreign currency risk is mainly concentrated on the fluctuation among Renminbi, the United States dollars and Hong Kong dollars. The sensitivity analysis does not include those United States dollars denominated assets and liabilities when they are held by group entities having Hong Kong dollars as their functional currency since the exchange rates between United States dollars and Hong Kong dollars are pegged.

The following table details the Group’s sensitivity to a 7% (2020: 7%) change in the functional currencies of the relevant group entities against foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 7% (2020: 7%) change in foreign currency rates. The following table indicates the impact to the profit after tax where the foreign currencies strengthen against the functional currencies of the relevant group entities. For a 7% (2020: 7%) weakening of the foreign currencies against the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit. In management’s opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

	2021 HK\$ million	2020 HK\$ million
Increase in profit		
Renminbi	114	112
United States dollars	7	7
Hong Kong dollars	54	22

34. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity instruments at fair value through other comprehensive income. If the market price of the investments had been increased/decreased by 20% (2020: 20%), the Group’s reserve at 31 December 2021 would increase/decrease by approximately HK\$6 million (2020: HK\$6 million).

Credit risk and impairment assessment

The Group’s maximum exposure to credit risk in the event of the counterparties’ failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 32.

Trade debtors and contract assets arising from contracts with customers

In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances and contract assets. In this regard, the Directors of the Company consider that the credit risk is significantly reduced.

As part of the Group’s credit risk management, the Group applies internal credit rating for its trade debtors and contract assets. The following table provides information about the exposure to credit risk for trade debtors and contract assets, which are assessed individually for debtors.

Gross carrying amount	Average loss rates	Trade debtors	Contract assets
Internal credit rating		HK\$ million	HK\$ million
At 31 December 2021			
Low risk (note a)	0.34%	430	666
Watch risk (note b)	34.34%	6	–
Loss (note c)	100%	4	–
At 31 December 2020			
Low risk (note a)	0.39%	657	668
Watch risk (note b)	2.31%	11	–
Loss (note c)	100%	4	–

The estimated loss rates are estimated based on actual loss experience over the past three years and are adjusted for forward-looking information that is available without undue cost or effort.

Notes:

(a) The counterparty has a low risk of default and does not have any past-due amounts.

(b) Debtor frequently repays after due dates but usually settle after due date.

(c) There is evidence indicating the asset is credit-impaired.

34. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables

In order to reduce credit risk, the Group has procedures in place to monitor the credit standing of the counterparty and to ensure that follow-up action is taken to recover these receivables. The Group makes periodic individual assessment on the recoverability of other receivables with reference to the historical default experience and forward-looking factors. The Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided allowance for credit losses was limited to 12m ECL.

In particular, the Group reviews the recoverable amount of the other receivable of HK\$528 million (2020: HK\$505 million) due from a counterparty and the probability of default by this counterparty and the loss given default at the end of each reporting period.

For the year ended 31 December 2021, the Group recognised loss allowance of HK\$4 million (2020: nil) on other receivables after the assessment. Except as described above, the Directors of the Company considered that no allowance for credit losses in respect of these receivables is necessary at the end of the reporting period.

The Group has certain concentration of credit risk in respect of trade debtors and other receivables. At 31 December 2021, 38% (2020: 32%) of total trade debtors and other receivables was due from a counterparty. At 31 December 2021, other receivables of HK\$528 million (2020: HK\$505 million) were due from a counterparty and a guarantee on outstanding loan principal amounting to RMB542 million (HK\$663 million) (2020: RMB542 million (HK\$644 million)) and related interest amounting to RMB681 million (HK\$833 million) (2020: RMB614 million (HK\$730 million)) was issued by the Company in respect of a loan advanced to this counterparty. Except for the above, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Restricted bank deposits, bank balances and deposits

The credit risk on restricted bank deposits, bank balances and deposits are limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

Amounts due from joint ventures and related companies

With respect to credit risk arising from amounts due from joint ventures and related companies, the Group’s exposure to credit risk arising from default of the counterparty is limited as the counterparties have sufficient future cash flows to repay its debts and a good history of repayment. The Group does not expect to incur a significant loss for uncollected amounts due from these joint ventures and related companies.

Liquidity risk

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

34. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

At 31 December 2021, the Group reported net current liabilities of HK\$140 million, which included HK\$1,227 million senior notes due in January 2022 (the “Senior Notes”) and HK\$806 million revolving bank loans with no fixed term of repayment. The Senior Notes, together with interest accrued thereon, was fully repaid upon its maturity in January 2022 by the proceeds from the drawdown on a new 3-year term loan facility of HK\$1.3 billion obtained in October 2021. In addition, the Directors of the Company believe that such revolving bank loans will continue to be made available to the Group and will not be withdrawn unexpectedly within the next twelve months from the end of the reporting period and the Group had a total undrawn banking facilities amounted to approximately HK\$2.0 billion at 31 December 2021, which would be sufficient to enable the Group to meet its financial obligations when they fall due in the foreseeable future.

The following table details the Group’s contractual maturity for its financial liabilities as well as certain financial assets. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. For financial assets, the table reflects the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The table includes both interest and principal cash flows.

	Weighted average effective interest rate % p.a.	On demand or less than 1 year HK\$ million	1-2 years HK\$ million	2-5 years HK\$ million	Over 5 years HK\$ million	Total undiscounted cash flow HK\$ million	Carrying amount HK\$ million
At 31 December 2021							
Bank deposits	1.99%	398	-	-	-	398	396
Non-derivative financial liabilities							
Trade and other payables (note)	-	(845)	(126)	-	-	(971)	(971)
Bank borrowings at variable rate	2.88%	(975)	(785)	(96)	(43)	(1,899)	(1,818)
Senior notes	6.25%	(1,232)	-	-	-	(1,232)	(1,227)
Lease liabilities	5.00%	(20)	(5)	(2)	-	(27)	(25)
		(2,674)	(916)	(98)	(43)	(3,731)	(3,645)
At 31 December 2020							
Bank deposits	1.93%	390	-	3	-	393	391
Non-derivative financial liabilities							
Trade and other payables (note)	-	(903)	(115)	-	-	(1,018)	(1,018)
Bank borrowings at variable rate	2.95%	(1,071)	(233)	(544)	(75)	(1,923)	(1,815)
Senior notes	6.25%	(79)	(1,263)	-	-	(1,342)	(1,258)
Lease liabilities	5.00%	(24)	(9)	-	-	(33)	(30)
		(1,687)	(1,620)	(541)	(75)	(3,923)	(3,730)

Note:
Trade and other payables represent trade creditors, amounts due to joint ventures and related companies and other payables.

34. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

At the end of the reporting period, the Group has provided a financial guarantee to an independent third party (note 32(a)). In the event of the failure of this party to meet his obligation under this facility, the Group may be required to pay up to the guaranteed amount of HK\$1,496 million (2020: HK\$1,374 million) upon demand. Management does not consider that it is probable for this party to claim the Group under this guarantee.

Interest rate benchmark reform

As disclosed in note 24, the Group has certain bank borrowings carried at LIBOR and HIBOR, which may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant interbank offered rate regulators.

As part of the Group’s risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

(d) Fair value measurements of financial instruments

At 31 December 2021, certain financial assets of the Group were measured at fair value. The fair value of the financial assets at fair value through other comprehensive income was classified as level 1 fair value measurement and was derived from unadjusted quoted prices available on the Stock Exchange (active market). The Group’s financial assets at fair value through profit or loss represent its investments in unlisted equity securities and their fair values were classified as level 2 fair value measurement and was determined with reference to recent transactions of the investee’s shares.

At 31 December 2020, the only financial instrument of the Group that was measured subsequent to initial recognition at fair value was financial assets at fair value through other comprehensive income, of which the fair value was classified as level 1 fair value measurement and was derived from unadjusted quoted prices available on the Stock Exchange (active market).

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The Directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Notes to the Consolidated Financial Statements

35. Reconciliation of Liabilities arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Advances from related companies	Bank borrowings	Senior notes	Interest payable (included in other payables)	Lease liabilities	Other financial liabilities	Dividends payable to non-controlling interests	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 January 2020	29	1,639	1,344	26	16	27	-	3,081
Financing cash flows	-	155	(88)	(156)	(23)	(40)	(45)	(197)
New leases entered	-	-	-	-	36	-	-	36
Finance costs	-	-	122	75	1	-	-	198
Interest payable reclassified to other payables	-	-	(108)	108	-	-	-	-
Discount on buy-back of senior notes	-	-	(3)	-	-	-	-	(3)
Loss arising on remeasurement of other financial liabilities	-	-	-	-	-	13	-	13
Dividends payable to non- controlling interests	-	-	-	-	-	-	45	45
Exchange adjustments	(1)	21	(9)	-	-	-	-	11
At 31 December 2020	28	1,815	1,258	53	30	-	-	3,184
Financing cash flows	-	(6)	(46)	(143)	(28)	-	(42)	(265)
New leases entered	-	-	-	-	22	-	-	22
Finance costs	-	-	88	72	1	-	-	161
Interest payable reclassified to other payables	-	-	(79)	79	-	-	-	-
Discount on buy-back of senior notes	-	-	(1)	-	-	-	-	(1)
Dividends payable to non- controlling interests	-	-	-	-	-	-	42	42
Exchange adjustments	1	9	7	-	-	-	-	17
At 31 December 2021	29	1,818	1,227	61	25	-	-	3,160

36. Statement of Financial Position of the Company

	2021 HK\$ million	2020 HK\$ million
Non-current Assets		
Property, plant and equipment	7	9
Right-of-use assets	6	14
Interests in subsidiaries	7,573	7,531
Club memberships	1	1
	7,587	7,555
Current Assets		
Debtors, deposits and prepayments	295	279
Amounts due from subsidiaries	32	34
Bank balances, deposits and cash	20	15
	347	328
Current Liabilities		
Creditors and accrued charges	426	423
Lease liabilities	5	11
Amounts due to joint ventures	82	82
Amounts due to related companies	403	403
Bank borrowings	775	975
Senior notes	1,227	-
	2,918	1,894
Net Current Liabilities	(2,571)	(1,566)
Total Assets Less Current Liabilities	5,016	5,989
Capital and Reserves		
Share capital (note 26)	374	374
Reserves (note)	2,173	2,194
	2,547	2,568
Non-current Liabilities		
Bank borrowings	94	151
Lease liabilities	1	3
Amounts due to subsidiaries	2,311	1,993
Senior notes	-	1,258
Defined benefit liabilities	63	16
	2,469	3,421
	5,016	5,989

Notes to the Consolidated Financial Statements

36. Statement of Financial Position of the Company (Continued)

Note: Movement of the Company's reserves are set out below:

	Share premium HK\$ million	Contributed surplus HK\$ million	Accumulated losses HK\$ million	Share option reserve HK\$ million	Actuarial gain and loss HK\$ million	Other reserve HK\$ million	Total HK\$ million
At 1 January 2020	2,982	89	(1,043)	5	(23)	231	2,241
Loss for the year	–	–	(97)	–	–	–	(97)
Recognition of actuarial gain	–	–	–	–	50	–	50
Total comprehensive (expense) income for the year	–	–	(97)	–	50	–	(47)
At 31 December 2020	2,982	89	(1,140)	5	27	231	2,194
Profit for the year	–	–	19	–	–	–	19
Recognition of actuarial loss	–	–	–	–	(40)	–	(40)
Total comprehensive income (expense) for the year	–	–	19	–	(40)	–	(21)
Transfer upon lapse of share options	–	–	5	(5)	–	–	–
At 31 December 2021	2,982	89	(1,116)	–	(13)	231	2,173

37. Event After the Reporting Period

On 20 December 2021, the Group entered into an agreement with an independent third party to acquire 65% interest in Welpro Technology Limited ("Welpro"), which principally engages in the provision of multi-media display system, security system and related services in Hong Kong, at a cash consideration of HK\$37 million (subject to downward adjustment after completion in accordance with the terms of the agreement). The transaction was completed on 3 January 2022 and the consideration was fully satisfied in cash. Following completion, Welpro has become an indirect non-wholly owned subsidiary of the Company. The Directors of the Company are of the view that the acquisition provides an opportunity for the Group to expand its construction operations and diversify its sources of income. As the purchase price allocation is being compiled and not yet ready at the date of the consolidated financial statements, it is not practicable to reliably estimate the financial effect of the acquisition. Details of the transaction are set out in the announcements of the Company dated 20 December 2021 and 5 January 2022 respectively.

38. Particulars of Principal Subsidiaries

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries at 31 December 2021 and 31 December 2020 which principally affect the results or assets of the Group. All the companies listed below were incorporated and are operating in Hong Kong except as otherwise indicated.

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Construction and building maintenance business				
Shui On Contractors Limited*	200 shares of US\$1 each	85.50% (Note 1)	–	Investment holding
P.D. (Contractors) Limited	1,000,000 ordinary shares (HK\$1,000,000)	–	70.11% (Note 2)	Renovation work
Pacific Extend Limited	7,510,000 ordinary shares (HK\$7,510,000) 6,000 special shares (HK\$6,000)	–	65.835% (Note 3)	Maintenance contractor
Pat Davie Limited	33,000,000 ordinary shares (HK\$33,000,000) 100,000 non-voting deferred shares (HK\$1,000,000) 6,800,000 non-voting deferred shares (HK\$6,800,000)	–	70.11% (Note 2)	Interior decoration, fitting out, design and contracting
Pat Davie (Macau) Limited##	Two quotas of total face value of MOP1,000,000	–	70.11% (Note 2)	Interior decoration, fitting out, design and contracting
Shui On Building Contractors Limited	117,000,100 ordinary shares (HK\$117,000,100) 33,000,100 non-voting deferred shares (HK\$33,000,100) 50,000 non-voting deferred shares (HK\$50,000,000)	–	85.50% (Note 1)	Building construction and maintenance
Shui On Construction Company Limited	100 ordinary shares (HK\$100) 69,000,000 non-voting deferred shares (HK\$69,000,000) 1,030,000 non-voting deferred shares (HK\$103,000,000)	–	85.50% (Note 1)	Building construction
Shui On Plant and Equipment Services Limited	16,611,000 ordinary shares (HK\$16,611,000) 45,389,000 non-voting deferred shares (HK\$45,389,000)	–	85.50% (Note 1)	Owning and leasing of plant and machinery and structural steel construction work
Shui On Facade Company Limited	4,000,000 ordinary shares (HK\$4,000,000)	–	85.50% (Note 1)	Facade supply and construction contracts

Notes to the Consolidated Financial Statements

38. Particulars of Principal Subsidiaries (Continued)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Property business				
New Rainbow Investments Limited*	1 share of US\$1	100%	–	Investment holding
Brilliance Investments Limited*	1 share of US\$1	100%	–	Investment holding
Main Zone Group Limited*	1 share of US\$1	100%	–	Inactive
China Central Properties Limited^	281,193,011 shares of GBP0.01 each	57.12%	42.88%	Investment holding
Shui On China Central Properties Limited*	1 share of US\$1	–	100%	Investment holding
Honest Joy Investments Limited*	100 shares of US\$1 each	–	100%	Investment holding
Pacific Hill Limited	1 ordinary share (HK\$1)	–	100%	Investment holding
Shui On Properties Management Services Limited	2 ordinary shares (HK\$2)	–	100%	Investment holding
Pacific Extend Properties Management Limited	2 ordinary shares (HK\$2)	–	100%	Provision of property management services
SOCAM Asset Management Limited*	1 share of US\$1	100%	–	Investment holding
SOCAM Asset Management (HK) Limited	1 ordinary share (HK\$1)	–	100%	Provision of management services
Cosy Rich Limited*	2 shares of US\$1 each	–	100%	Investment holding

38. Particulars of Principal Subsidiaries (Continued)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Property business (Continued)				
Win Lead Holdings Limited*	100 shares of US\$1 each	–	100%	Investment holding
Dalian Shengyuan Real Estate Consulting Co., Ltd.**+	Registered and paid up capital of RMB50,000,000	–	100%	Investment holding
北京億達房地產開發有限公司*** (Beijing Yida Real Estate Development Co., Ltd.)	Registered and paid up capital of RMB30,000,000	–	100%	Inactive
Chongqing Hui Zheng Properties Co., Ltd.**+	Registered and paid up capital of US\$75,000,000	–	100%	Property development
Shenyang Hua Hui Properties Co. Ltd.**+	Registered and paid up capital of US\$70,000,000	–	100%	Property development
廣州英發房地產開發有限公司*** (Guangzhou Infotach Property Development Co., Ltd.)	Registered and paid up capital of US\$63,159,168	–	100%	Property development
Beijing SOCAM Real Estate Consulting Co., Ltd.**+	Registered and paid up capital of RMB800,000	–	100%	Provision of consultancy services
Chengdu Xianglong Real Estate Co., Ltd.**+	Registered and paid up capital of RMB450,000,000	–	100%	Property development
江蘇九西建設發展有限公司*** (Jiangsu Jiu Xi Development Co., Ltd.)	Registered and paid up capital of RMB382,000,000	–	100%	Property development
天津市聖偉房地產開發有限公司*** (Summer Great (Tianjin) Co., Ltd.)	Registered and paid up capital of US\$5,000,000	–	100%	Property development and leasing of investment properties
嘉傑(天津)置業投資有限公司****	Registered and paid up capital of RMB330,000,000	–	100%	Property development and leasing of investment properties

Notes to the Consolidated Financial Statements

38. Particulars of Principal Subsidiaries (Continued)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Other businesses				
Lamma Rock Products Limited	100 ordinary shares (HK\$1,000) 3,500,000 non-voting deferred shares (HK\$35,000,000)	–	100%	Investment holding
Shui On Materials Limited*	1 share of US\$1	100%	–	Investment holding
Shui On Building Materials Limited	100 ordinary shares (HK\$100) 1,000,000 non-voting deferred shares (HK\$1,000,000)	–	100%	Investment holding
Shui On Cement (Guizhou) Limited*	100,000 shares of US\$1 each	–	100%	Investment holding
Tinsley Holdings Limited***	2 ordinary shares of US\$1 each	–	100%	Investment holding
Winway Holdings Limited***	2 ordinary shares of US\$1 each	–	100%	Investment holding
貴州凱里瑞安水泥有限公司*** (Guizhou Kaili Shui On Cement Co. Ltd.)	Registered and paid up capital of RMB60,000,000	–	100%	Inactive

* Incorporated in the British Virgin Islands
** Established and operated in Mainland China
*** Incorporated in Mauritius
Incorporated in Macau Special Administrative Region of the PRC
^ Incorporated in Isle of Man
+ Wholly foreign-owned enterprise
++ Limited liability company

None of the subsidiaries had any debt securities subsisting at 31 December 2021 or at any time during the year.

Notes:
1. The share interests held by the Group in these companies were increased from 85% to 85.50% during the year ended 31 December 2021.
2. The share interests held by the Group in these companies were increased from 69.70% to 70.11% during the year ended 31 December 2021.
3. The share interest held by the Group in this company was increased from 65.45% to 65.835% during the year ended 31 December 2021.

39. Particulars of Principal Joint Ventures

The Directors are of the opinion that a complete list of the particulars of all joint ventures will be of excessive length and therefore the following list contains only the particulars of principal joint ventures of the Group at 31 December 2021 and 31 December 2020. All the companies listed below were incorporated and are operating in Hong Kong except otherwise indicated.

Indirect joint ventures	Issued and paid up share capital/ registered and paid up capital	Interest held by the Group	Principal activities	Note
Construction and building maintenance business				
Super Race Limited	420,000 ordinary shares (HK\$3,697,000)	50%	Supply of sink units and cooking benches	1
鶴山超合預制件有限公司**@ (Heshan Chaohe Yizhi Jian Co. Ltd.)	Registered and paid up capital of US\$1,284,600	50%	Manufacture of sink units and cooking benches	1
Other businesses				
The Yangtze Ventures Limited#	1,000 ordinary shares of HK\$0.1 each	65.5%	Inactive	1
貴州遵義瑞安水泥有限公司**@ (Guizhou Zunyi Shui On Cement Co. Ltd.)	Registered and paid up capital of RMB92,000,000	80%	Inactive	1
Nanjing Jiangnan Cement Co., Ltd.**@	Registered and paid up capital of RMB120,000,000	25.2%	Manufacture and trading of cement	1

** Established and operated in Mainland China
Incorporated in the Cayman Islands
@ Equity joint venture
Note:
1. The Group and the other joint venturers are contractually agreed sharing of control and have rights to the net assets of these entities. The decisions about the relevant activities of these entities require unanimous consent of the Group and the other joint venturers. Accordingly, the Directors consider they are joint ventures.

The end of the consolidated financial statements.

The statement below from the Company does not form part of the consolidated financial statements:

Readers of these consolidated financial statements are strongly encouraged to read the Management Discussion and Analysis section set out in this annual report, which does not form part of the consolidated financial statements, to gain a fuller appreciation of the Group’s financial results and situation in the context of its activities.

Group Financial Summary

1. Results

	Year ended 31 December				2021 HK\$ million
	2017 HK\$ million	2018 HK\$ million	2019 HK\$ million	2020 HK\$ million	
Turnover	6,472	6,128	5,545	5,670	5,267
Profit (loss) before taxation	(536)	(19)	256	270	253
Taxation	(34)	(64)	(177)	(131)	(78)
Profit (loss) for the year	(570)	(83)	79	139	175
Attributable to:					
Owners of the Company	(613)	(139)	7	52	76
Non-controlling interests	43	56	72	87	99
	(570)	(83)	79	139	175

2. Assets and Liabilities

	At 31 December				2021 HK\$ million
	2017 HK\$ million	2018 HK\$ million	2019 HK\$ million	2020 HK\$ million	
Total assets	12,024	10,602	9,436	9,750	9,582
Total liabilities	(8,322)	(7,586)	(6,454)	(6,399)	(6,048)
	3,702	3,016	2,982	3,351	3,534
Equity attributable to:					
Owners of the Company	3,566	2,889	2,805	3,132	3,264
Non-controlling interests	136	127	177	219	270
	3,702	3,016	2,982	3,351	3,534

Corporate Information

Board

Executive Directors
Mr. Lo Hong Sui, Vincent (*Chairman*)
Mr. Lee Chun Kong, Freddy (*Chief Executive Officer*)

Non-executive Director
Ms. Lo Bo Yue, Stephanie

Independent Non-executive Directors
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. William Timothy Addison

Audit Committee

Mr. Chan Kay Cheung (*Chairman*)
Ms. Li Hoi Lun, Helen
Mr. William Timothy Addison

Remuneration Committee

Ms. Li Hoi Lun, Helen (*Chairman*)
Mr. Lo Hong Sui, Vincent
Ms. Lo Bo Yue, Stephanie
Mr. Chan Kay Cheung
Mr. William Timothy Addison

Nomination Committee

Mr. Lo Hong Sui, Vincent (*Chairman*)
Ms. Lo Bo Yue, Stephanie
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. William Timothy Addison

Finance Committee

Mr. Lee Chun Kong, Freddy (*Chairman*)
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. William Timothy Addison

Investment Committee

Mr. Lee Chun Kong, Freddy (*Chairman*)
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. William Timothy Addison

Executive Committee

Mr. Lee Chun Kong, Freddy (*Chairman*)
Mr. Lo Hong Sui, Vincent
Other key executives

Company Secretary

Ms. Chan Yeuk Ho, Karen

Auditor

Deloitte Touche Tohmatsu
(*Registered Public Interest Entity Auditor*)

Registered Office

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

34th Floor, Shui On Centre
6-8 Harbour Road, Hong Kong

Principal Share Registrar and Transfer Office

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Branch Share Registrar and Transfer Office

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

Principal Bankers

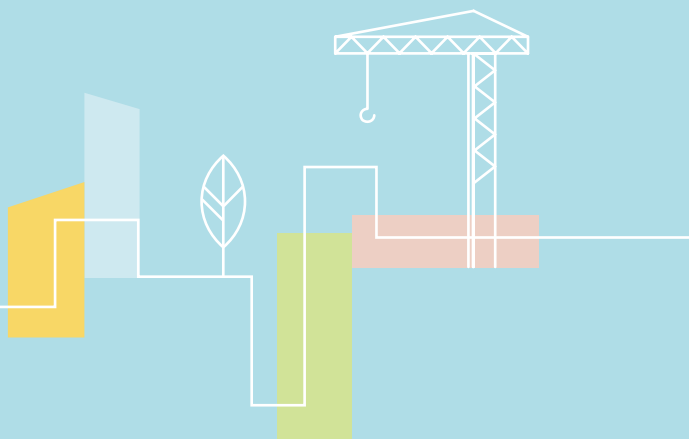
BNP Paribas
China CITIC Bank International Limited
Hang Seng Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

Stock Code

983

Website

www.socam.com



SOCAM DEVELOPMENT LIMITED

瑞安建業有限公司

(Incorporated in Bermuda with limited liability)



www.socam.com

