

SOCAM DEVELOPMENT LIMITED

瑞安建業有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立的有限公司)



www.socam.com



SOCAM DEVELOPMENT LIMITED 瑞安建業有限公司 • INTERIM REPORT 2021 年中期報告

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中期報告

Interim Report

SOCAM

DEVELOPMENT

LIMITED

瑞安建業有限公司

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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 Mainland China, Hong Kong and Macau.

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.

BETTER TOMORROW PLAN 2021-2030

Embracing the "Shui On We Care" spirit, SOCAM refreshed the CSR strategy in 2020 and established the "Better Tomorrow Plan 2021-2030", setting the sustainability blueprint for the next ten years. The plan is an important step for the Company as it moves to actualise CSR into a positive impact on the economy, environment and the community, and putting sustainability as part of SOCAM's long-term outlook.



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GROWING IN STRENGTH

SUSTAINABILITY COMMITMENTS

A commitment to sustainability runs through all that we do. We continuously innovate to build a better tomorrow for our people, community and environment.



SOCIAL VALUE

A consistent contribution to building social value through nurturing sustainable human capital, and the building of valuable public facilities with long-term benefits to the local community.



TECHNOLOGY

We continuously innovate to improve business processes and inspire new ways of thinking with the use of technology to help the Company drive the change.



DESIGN & BUILD

Our design-and-build capabilities allow tight control of project realisation from the building concept through to construction completion and delivery.

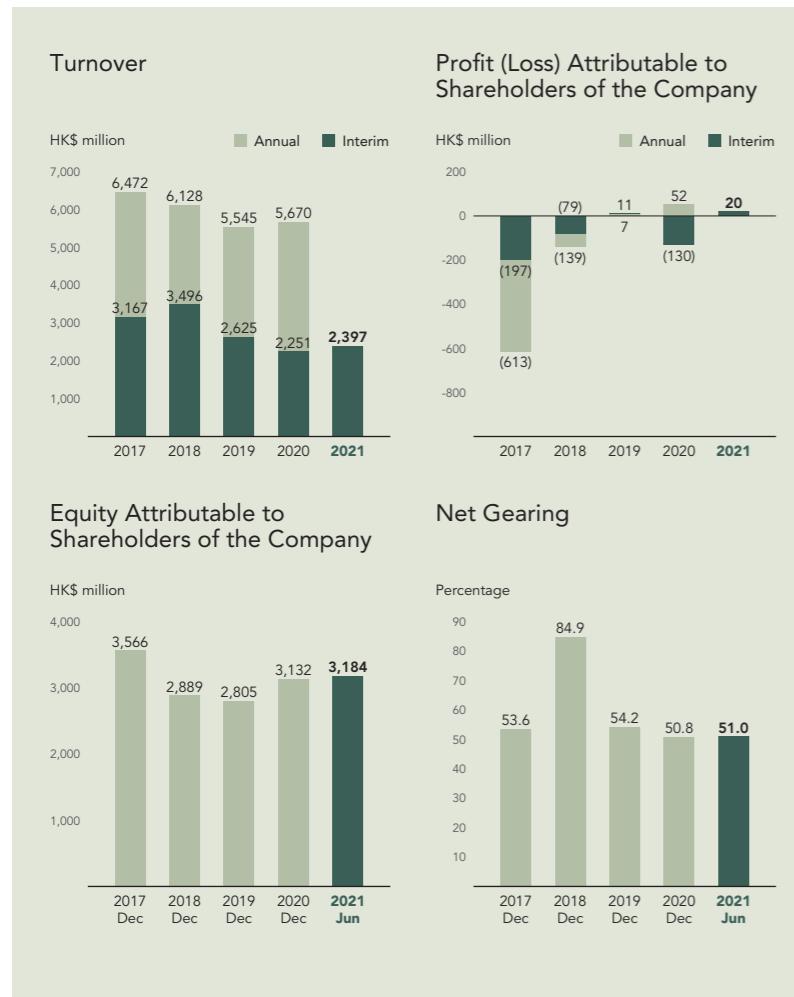


PEOPLE

We build and maintain sustainability as part of the core principles of the business and people, and foster a workplace that embraces progress and creativity.

FINANCIAL HIGHLIGHTS

HK\$ million	Six months ended 30 June				
	2021	2020	2019	2018	2017
Turnover					
SOCAM and subsidiaries	2,397	2,251	2,625	3,496	3,167
Share of joint ventures and associates	5	4	13	17	421
Total	2,402	2,255	2,638	3,513	3,588
Profit (loss) attributable to shareholders	20	(130)	11	(79)	(197)
Basic earnings (loss) per share	HK\$0.05	(HK\$0.35)	HK\$0.03	(HK\$0.16)	(HK\$0.41)
	At 30 June		At 31 December		
Total assets (HK\$ billion)	9.3	9.8	9.4	10.6	12.0
Net assets (HK\$ billion)	3.2	3.1	2.8	2.9	3.6
Net asset value per share (HK\$)	8.50	8.37	7.49	7.52	7.36
Net gearing	51.0%	50.8%	54.2%	84.9%	53.6%



MANAGEMENT DISCUSSION AND ANALYSIS



To embrace future challenges, SOCAM has been making specific emphasis to technological upgrades and digitalisation to enhance productivity, efficiency, as well as adoption of green operations.

Market Environment

The Group's principal markets saw post-COVID-19 pandemic recovery of their economies. In the Mainland, GDP grew by 18.3% and 7.9% year-on-year (YoY) in the first and second quarters of the year respectively, posting a 12.7% YoY expansion through the first half, which put the country on track to meet the growth target of above 6% as set by the Central Government for this year. The Mainland economy sustained a steady recovery, with exports and imports growing fast, industrial production and local consumption picking up and household income rising, while employment and consumer prices remained stable.

Hong Kong is on the path to recovery, with GDP growing by 7.8% YoY in real terms in the first half of 2021, after an unprecedented two consecutive years of negative growth. Exports of goods increased strongly on strengthening global demand, while private consumption rose on the

back of the stabilised local epidemic and improving labour market conditions. Overall investment spending saw accelerated growth amid improved business sentiment. Following the enhancement of the electoral system of the HKSAR earlier this year, the tendering and award of government projects are less affected by the delay in funding approval at the Legislative Council due to political wrangling and other malfunction.

Financial Results

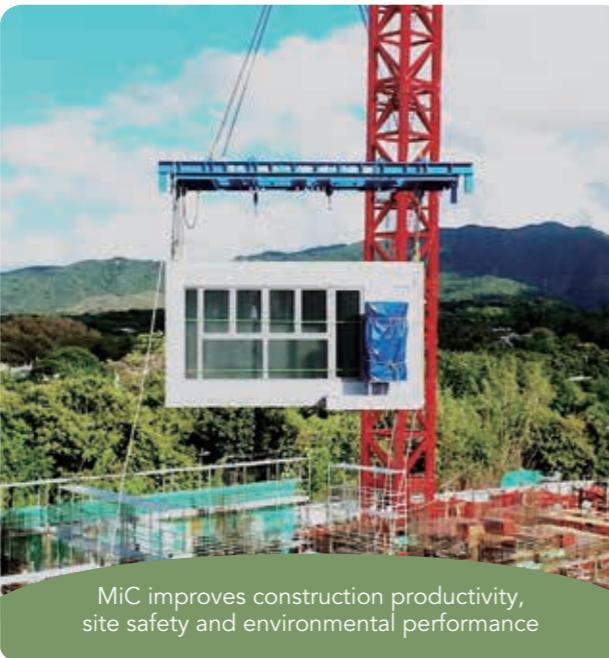
The Group reported net profit attributable to shareholders of HK\$20 million for the first six months of 2021, as compared with the net loss attributable to shareholders of HK\$130 million for the corresponding period in 2020, while the Group's turnover for the first half of 2021 increased slightly by 6%, against the same period in 2020, to HK\$2.4 billion.

The construction business in Hong Kong continued to benefit from the strong order book and achieved higher turnover and profit. The property business in the Mainland saw encouraging improvement in the occupancies and rental income of most of its shopping malls as the country's daily routines have generally resumed after the pandemic, yet property sales remained limited, as the inventory was running low.

The turnaround in the Group's financial performance in this interim period was also set against the previous interim period in which the leasing performance and assets valuation of the property business were adversely affected by the outbreak of COVID-19 in January 2020, coupled with the net foreign exchange loss arising from the depreciation of the Renminbi against the Hong Kong dollar on the Group's property assets.

Corporate Initiatives

Maintaining resilience and growth in the pandemic-driven new normal has been an unprecedented challenge we faced since the past year. At the same time, remote working and social distancing restrictions have also accelerated shifts in consumer and business behaviours to online channels. It is amidst this background that digital transformation has become one of our key business priorities. To further embrace future challenges, SOCAM has been making specific emphasis to technological upgrades and digitalisation to enhance productivity, efficiency, as well as adoption of green operations.



Talent development has always been a central focus. To increase our competitiveness in attracting and retaining competent staff, we launched a trial scheme on flexible working hours to better accommodate the needs of our staff, without compromising productivity and quality of work. We also rolled out a talent development programme to select high potential talents and groom them to be future leaders.

During this interim period, a Corporate HSE Steering Committee was established to formulate and review our HSE management programme as well as accident rate. In support of the community health and safety and the HKSAR Government's COVID-19 vaccination drive, we implemented an incentive scheme for our employees, including a lucky draw and paid vaccination leave.



CONSTRUCTION

The construction business in Hong Kong continued to benefit from the strong order book, and achieved higher turnover and profit.

Market Review

Notwithstanding the Hong Kong economy's rebound in growth in the first half of this year, construction activities declined further, after four consecutive years of contraction. Total expenditure on building and construction dropped by 2.8% YoY in real terms in the first half of 2021, of which expenditure in respect of the public and private sectors increased by 6.5% and decreased by 8.9% respectively. The construction unemployment rate, however, dropped notably to 8.9% in June 2021, from 10.7% in December 2020, largely attributable to the improving labour market conditions. Market competition remained severely intensified amid a shrinking construction industry as a whole.

Despite running a substantial budget deficit for 2021-22, the HKSAR Government remains fully committed to its long-term housing strategy and 10-year hospital development plan to address the critical housing and healthcare issues of the community. The Group's construction business stands to benefit from the significant tendering opportunities coming from the public sector.

Macau's gaming industry continued to be hard hit by the COVID-19 pandemic, as tourist arrivals slumped primarily caused by the epidemic-induced travel restrictions. Faced with the challenging business environment, some corresponding adjustments were made by operators to their plans for revamps and rolling refurbishments of the casino hotels.



Maintaining high safety standards

Adoption of New Technology and Safety

SOCAM continues to place utmost importance on technological advancement, and has expanded the use of new technology to raise operational efficiency and reduce cost. During this interim period, we continued to initiate innovative solutions and monitor closely the implementation of new construction technologies and Modular Integrated Construction (MiC) in our construction project – the multi-welfare services complex in Kwu Tung North. We believe this project with full MiC application will position SOCAM as an industry pioneer in implementing sustainable construction. In addition, we are exploring the adoption of Design for Manufacturing and Assembly, Prefabricated Prefinished Volumetric Construction and artificial intelligence (AI), as well as use of suitable robots in selected construction processes. These technology advances are expected not only to uplift the productivity, build quality, site safety and environmental performance of our construction jobs, but also cope with new contract requirements of government projects and reduce the labour component.

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

We applied new technologies to enhance our safety performance, including AI cameras at construction sites, face recognition technology, smart helmet system and safety management system. With our unfailing efforts in promoting and strengthening safety at worksites, we see continued improvement in our performance. We recorded an accident rate of 1.67 per 1,000 workers in the first six months of 2021, which hit the lowest on our records and is well below the industry average.

Recognitions and Awards

Our efforts have earned us industry recognitions. During the period, Shui On Building Contractors Limited (SOBC) and Shui On Construction Company Limited, won a total of seven awards at the 19th Hong Kong Occupational Safety and Health Award organised by the Occupational Safety and Health Council, including the Gold Award in the Safety Management System Award, and the Silver Award in the Safety Culture Award, Best Workplace Infection Control Measures Award and 5S Good Housekeeping Best Practices Award.

SOBC was awarded the Best SHE Performed Contractor of the Year 2020 by CLP Power Hong Kong Limited (CLP), which is given by the Chief Operating Officer of CLP each year to the contractor with the best safety performance, and distinguishes SOBC from other market players for its steadfast commitment to safety.

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 excellence in design, functionality and building quality.

At the corporate level, SOCAM was awarded the ISO 27001 certification from SGS for the Information Security Management Systems. It is the first certificate to recognise the Group's effort in safeguarding information including confidentiality, integrity and availability. Shui On Contractors Limited, the holding company of the Group's construction business, was awarded the Star Logo from the Department of Justice, acknowledging its efforts in promoting and adopting mediation in business operations.



Our construction projects continued apace

Operating Performance

The Group's construction business achieved a satisfactory result, and recorded a profit of HK\$214 million for the first half of 2021, a 13% increase over the profit of HK\$190 million for the corresponding period in 2020. Turnover for the first six months of 2021 amounted to HK\$2.2 billion, up slightly from HK\$2.1 billion for the same period in 2020 as both building maintenance and interior fitting out businesses saw an increase in turnover. Pre-tax profit margin expanded to 9.7% for the current interim period, from 9.1% for the prior interim period, largely due to the increased contributions from the completed projects.

	1H 2021	1H 2020
Profit	HK\$214 million	HK\$190 million
Turnover	HK\$2.2 billion	HK\$2.1 billion
Profit margin	9.7%	9.1%

New Contracts Awarded and Workload

	1H 2021	1H 2020
New contracts awarded	HK\$2.2 billion	HK\$2.0 billion
	30 June 2021	31 December 2020
Gross value of contracts on hand	HK\$22.5 billion	HK\$23.7 billion
Gross value of contracts to be completed	HK\$16.1 billion	HK\$16.2 billion

The Group's order book remained strong amid intensifying market competition. During the first half of 2021, the Group successfully bid a number of new construction, maintenance, fit-out and renovation contracts in Hong Kong and Macau worth a total of HK\$2.2 billion, as compared with the HK\$2.0 billion awarded in the same period of 2020. More details of the new contracts will be provided under the respective companies below.

As at 30 June 2021, the gross value of contracts on hand was HK\$22.5 billion and the value of outstanding contracts to be completed was HK\$16.1 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.

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

Shui On Building Contractors Limited (SOBC)

New contracts secured by SOBC during the first six months of 2021 totalled HK\$1,793 million, which included:

- Construction of a public housing development at Anderson Road Quarry Site RS-1 for the Hong Kong Housing Authority (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 term contracts for building maintenance works are undertaken by Pacific Extend Limited (PEL), a subsidiary of SOBC, and continue to provide stable income stream to the Group in addition to building construction projects.

PEL has built up a strong clientele over the years, including the HKHA, ASD, Hospital Authority, Airport Authority Hong Kong, Education Bureau, CLP, MTR Corporation Limited (MTRC) and Hong Kong Jockey Club. PEL continues to expand its client base and seek greater works diversification to further capture the growing opportunities in the facility management market.



Carbon Neutral Renovation of CLP Innovation Hub

During the period, SOBC and PEL continued to make progress on their existing contracts, including:

- the construction of a public rental housing development at Chai Wan Road for the HKHA;
- the term contracts for maintenance, improvement and vacant flat refurbishment works for public housing estates in various districts for the HKHA;
- the term contract for the design and construction of fitting out works for the ASD;
- the term contracts for alterations, additions, maintenance and repair works for the Education Bureau;
- the architectural and building works term contract for MTRC;
- the term 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.

As scheduled, only a few refurbishment and renovation contracts of short construction periods were completed for CLP and the Electrical and Mechanical Services Department in this interim period.

Shui On Construction Company Limited (SOC)

SOC proceeded well with the two design and construction contracts awarded to SOC, in joint venture with SOBC (Shui On Joint Venture), namely, the redevelopment of Kwai Chung Hospital (Phase 2) for the



Interior fitting-out for Hang Seng Bank Head Office

Hospital Authority and provision of a purpose-built multi-welfare services complex for the elderly at Kwu Tung North for the ASD during this interim period. In addition, works began on the design and construction of Drainage Services Department Building at the Cheung Sha Wan Sewage Pumping Station for the ASD, which was awarded to the Shui On Joint Venture in December 2020.

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

The ASD and the Hospital Authority continued to release a number of construction contracts for tender, and the Shui On Joint Venture submitted tenders for selected ones. Market competition is intensifying, and the construction division, capitalising on its competency in design and build, will continue to capture the upcoming tender opportunities.



The redevelopment of Kwai Chung Hospital (Phase 2)

Pat Davie Limited (PDL)

PDL remains very active in the highly competitive fit-out and refurbishment markets of both Hong Kong and Macau. In the first half of 2021, it secured a total of 21 new contracts with an aggregate value of HK\$381 million primarily in the commercial and institutional sectors in Hong Kong, and maintained a healthy order book.

The major contracts secured during the current interim period included:

- Fit-out works on co-working space, business centre, office and dry laboratory, and conversion of office to wet laboratory, in various buildings of Hong Kong Science Park;
- Fit-out works on lavatories, corridors and lift lobbies of a commercial development in San Po Kong;
- Supply and installation of protective barriers at Festival Walk, Kowloon Tong;
- Removal of asbestos and services replacement for refurbishment of the Regent Hotel in Tsim Sha Tsui;
- E&M and builder's supportive works for 5G provisions for Phase 2A at Hong Kong International Airport Terminal 1; and
- Fitting out of the lobby and café in W Hotel Macau.

Despite the 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\$570 million and HK\$199 million were completed in Hong Kong and Macau respectively during the period. Notable ones included the 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 for MTRC in Hong Kong, and fit-out works on the shopping arcade and Shakespeare Hall in The Londoner Macao of Venetian in Macau.

Subsequent to the interim period end, PDL secured a number of new contracts worth a total of HK\$66 million.



PROPERTY

As the post pandemic recovery in the Mainland economy takes shape, SOCAM continues to adjust tenant mix and positioning to meet the changing market needs.

Market Review

In Mainland China, retail sales of consumer goods increased by 23.0% YoY to RMB21.2 trillion in the first six months of 2021, and were 8.5% higher than the same period in 2019, underscoring a strong rebound post-COVID-19 pandemic with reviving consumer confidence. Online retail sales for the first half of 2021 also soared by 23.2% YoY to reach RMB6.1 trillion.

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.



Gradual recovery of customer footfalls at our malls

Operating Performance

The Group's property business recorded a loss of HK\$50 million for the first six months of 2021, compared with the loss of HK\$71 million for the same period in 2020, which included valuation loss, net of deferred tax provision, of its property portfolio of HK\$53 million and HK\$38 million respectively. Total turnover for the first half of 2021 amounted to HK\$190 million, comprising sales revenue of HK\$68 million, gross leasing income of HK\$56 million and Hong Kong property management services income of HK\$66 million, as compared with total turnover of HK\$168 million for the corresponding period in 2020.

Although the business recorded a negative contribution in the first half of the year, the net rental income and occupancy rates of the Group's shopping malls showed gradual recovery. With the occasional resurgence of infections across the country continued to affect the consumer sentiment generally, a full recovery to return to the pre-COVID-19 pandemic level is still some way off.



Property Portfolio

As of 30 June 2021, the Group owned six projects in Mainland China, which are summarised in the table below. The Group's property portfolio comprised a total gross floor area (GFA) of 408,800 square metres, of which 391,900 square metres GFA were completed properties, and 16,900 square metres GFA of the Nanjing Scenic Villa project were currently under development.

Location	Project	Residential/ Villa (sq. m.)	SOHO/Office (sq. m.)	Retail (sq. m.)	Carparks & Others (sq. m.)	Total GFA* (sq. m.)
Chengdu	Centropolitan	–	33,300	43,000	86,400	162,700
Chongqing	Creative Concepts Center	–	–	21,000	9,900	30,900
Guangzhou	Parc Oasis	–	–	–	4,600	4,600
Nanjing	Scenic Villa	12,000	–	–	11,800	23,800
Shenyang	Shenyang Project Phase I	–	1,600	62,200	25,500	89,300
Tianjin	Veneto Phase 1	–	–	63,600	2,500	66,100
	Veneto Phase 2	–	2,000	29,400	–	31,400
Total		12,000	36,900	219,200	140,700	408,800

* The GFA shown excludes sold and delivered areas.



Major property sales by project in Mainland China during the period:

Project	1H 2021			1H 2020		
	Contracted sales		Handover	Contracted sales		Handover
	Contracted amount* (RMB million)	GFA sold/ carparks sold (sq.m.)/(no.)	GFA delivered/ carparks delivered (sq.m.)/(no.)	Contracted amount* (RMB million)	GFA sold/ carparks sold (sq.m.)/(no.)	GFA delivered/ carparks delivered (sq.m.)/(no.)
Tianjin Veneto Phase 2						
Retail	–	–	360	10	260	–
SOHO	10	920	2,180	48	4,280	–
Nanjing Scenic Villa						
Residential/villa	6	260	460	5	240	3,430
Carparks	–	4 units	4 units	4	31 units	31 units

* VAT inclusive



Property Sales

In the first six months of 2021, the Group recognised revenue of HK\$68 million (1H 2020: HK\$80 million) and profit of HK\$11 million (1H 2020: HK\$11 million) from property sales, which were mainly contributed by the Tianjin Veneto Phase 2 and Nanjing Scenic Villa projects.

In the first half of 2021, the Group contracted strata-title sales of 13 SOHO units, with a total GFA of 920 square metres, in Phase 2 of Tianjin Veneto for a total sales amount of RMB10 million. As at 30 June 2021, out of a total of 486 retail shops and 184 SOHO units, sales of 203 retail shops and 166 SOHO units with respective total GFA of 7,730 square metres and 11,190 square metres were contracted for total sales amounts of RMB394 million. Construction of the retail shops and SOHO units was completed in the fourth quarter of 2020. During the period, the Group recognised sales revenue of RMB38 million, comprising 9 retail shops and 32 SOHO units with a total GFA of 2,540 square metres.

The Group also contracted sales of one villa, with 260 square metres of GFA, and four car parking spaces at Nanjing Scenic Villa for a total sales value of RMB6 million, and recognised sales revenue totalling RMB14 million, comprising one villa, with 460 square metres of

GFA, and four car parking spaces. As at 30 June 2021, nearly all of the villas and 92 car parking spaces were sold and handed over to buyers, with two villas and 149 car parking spaces remaining unsold.

The Group will continue to push for sales of the stocks in the Tianjin Veneto Phase 2 and Nanjing Scenic Villa projects.

Rental Performance

Total gross rental income before deduction of applicable taxes from the Group's retail and office properties in the Mainland for the first six months of 2021 increased 22% to RMB32 million, from RMB26 million for the corresponding period in 2020. The Mainland economy has been recovering steadily since the COVID-19 outbreak, which reached its peak in the first quarter of 2020, with the nationwide lockdowns and mall closures in the previous interim period.

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 this interim period. In Chengdu Centropolitan, the negotiations with the replacement cinema operator have reached the final stage and the re-opening of the cinema should raise the mall occupancy by approximately 12.5%.

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

Project	Rental Income (RMB million)	
	1H 2021	1H 2020
Chengdu Centropolitan		
Retail	5.9	5.3
Office	9.9	10.6
Chongqing Creative Concepts Center		
Retail	2.8	2.3
Shenyang Tiandi		
Retail	6.2	3.4
Tianjin Veneto Phase 1		
Retail	7.1	4.5

Occupancy Rates of Retail and Office Properties in Mainland China:

Project	Total GFA (sq.m.)	Occupancy Rate	
		30 June 2021	31 December 2020
Chengdu Centropolitan			
Retail	43,000	77%	88%
Office	33,300	98%	90%
Chongqing Creative Concepts Center			
Retail	21,000	84%	82%
Shenyang Tiandi			
Retail	62,200	92%	88%
Tianjin Veneto Phase 1			
Retail	63,600	73%	72%

Asset Enhancement Initiatives

As the post-COVID-19 pandemic recovery in the Mainland economy takes shape, SOCAM continues to adjust its strategies for asset enhancement initiatives, and has introduced a series of measures to capture opportunities arising from the retail rebound driven by pent-up demand. We adjusted tenant mix and positioning constantly to meet the changing consumer preferences and market trends, enhanced the interior

design of our malls by introducing more modern and innovative features, and upgraded the functional facilities for greater convenience and better hygiene. In addition, more family-friendly and lifestyle elements were added for the local communities, such as experience platforms and recreational spaces for children. A series of dynamic promotional events and fun activities, including outdoor concerts and summer fiestas, were also organised regularly to enrich the shopping experience.

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 first half of this year, PEPM proceeded well with its various property management contracts as well as the facility management services contract for the Civil Aviation Department. Leveraging the Group's diverse client base, strong capabilities in building maintenance and expertise and experience in property management, PEPM, teaming up with PEL, are well-equipped to pursue further business opportunities in the provision of smart facility management services to government departments/organisations, institutions and corporates in Hong Kong.

PEPM contributed stable income and cash flow to the Group during this interim period.



Building strong tenant relationship

OUTLOOK



The year 2021 marks the 50th Anniversary of the Shui On Group.

We believe our construction business will usher in a tide of opportunities in the public sector construction. We have also been exploring new business initiatives that will best exploit our competitive edge.

The COVID-19 pandemic continues to evolve globally, with an imbalance in worldwide vaccination, poses serious challenges to the world economy in the short run. In addition, the worsening of China-US relations under the Biden administration, heightened geopolitical tensions and the rise of de-globalisation also add considerable uncertainty and instability to the global economic outlook.

China economy has recovered swiftly from the second quarter of 2020, returning to the pre-pandemic growth path. Daily life is currently nearing normality, but mini-lockdowns to contain the highly infectious variant weighed on the recovery momentum. In the wake of the increasingly complex external environment and weakening international market with rising protectionism, the Central Government has rolled out the "dual circulation" strategy, primarily realising the huge potential of the domestic consumption power while enlarging foreign trade and investment, in order to attain more vigorous and sustainable economic development. Despite headwinds, the Mainland economy appears on track to maintain moderate growth for the remainder of this year.

The global economic recovery continues to support Hong Kong's exports in the near term. Locally, business sentiment is expected to improve further amid receding epidemic situation, stabilised social conditions and tranquility with the National Security Law in place, and improved operating environment. The HK\$36 billion

Consumption Voucher Scheme launched by the HKSAR Government in July will help stimulate consumer sentiment and lend support to consumption-related sectors.

We have been sharpening our focus on the booming public sector construction in Hong Kong, as we believe our construction business will usher in a tide of opportunities in the coming years. 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 to selected clients, with notable results.

To strengthen business sustainability, we have rolled out various initiatives to expand our construction workforce with young talents, strengthen learning and development, and raise investment in nurturing our employees. The wider adoption of innovative new technologies in design and construction processes and increasing digitalisation of our operations also keep us ahead of competition.

While external environment remains uncertain, the Group stays resilient and is well-equipped to seize business opportunities as they arise in the future. We will adopt a prudent business strategy, and at the same time, be alert to acquisition and disposal opportunities to create value for shareholders.



FINANCIAL REVIEW

Interim Results

The Group's results for the six months ended 30 June 2021 recorded a profit of HK\$20 million on a turnover of HK\$2,397 million, compared with the loss of HK\$130

million and turnover of HK\$2,251 million for the corresponding period last year.

An analysis of the total turnover is as follows:

	Six months ended 30 June 2021 HK\$ million	Six months ended 30 June 2020 HK\$ million
Turnover		
SOCAM and subsidiaries		
Construction	2,207	2,083
Property	190	168
Total	2,397	2,251
Joint ventures		
Others	5	4
Total	2,402	2,255

The construction business reported a 6.0% increase in turnover for the first half of this year notwithstanding the substantial completion of the Junior Police Officers Married Quarters project at Fan Garden and the Central Market Revitalisation project last December. The increase in turnover from maintenance and interior fitting out contracts was more than offsetting the reduction in turnover recognised for these construction contracts.

Revenue from the property business was HK\$190 million, which increased from HK\$168 million in the prior interim period. Property sales revenue in 2021 was mainly attributable to Phase 2 of the Tianjin Veneto project, which commenced handover of its retail shops and SOHO units since December 2020. Moreover, gross rental income from our four shopping malls has been recovering steadily since the COVID-19 outbreak in early 2020.

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

	Six months ended 30 June 2021 HK\$ million	Six months ended 30 June 2020 HK\$ million
Construction	214	190
Property		
Profit from property sales	11	11
Net rental income	14	1
Fair value changes on investment properties, net of deferred tax provision	(53)	(38)
Disposal of interest in Dalian Tiandi	3	3
Hong Kong property management	5	5
Net operating expenses	(30)	(53)
	(50)	(71)
Net finance costs		
Senior notes	(44)	(74)
Bank and other borrowings	(28)	(21)
Net foreign exchange gains (losses)	29	(44)
Corporate overheads and others	(33)	(36)
Release of cumulative exchange gains upon deregistration of foreign subsidiaries	21	–
Taxation	(44)	(40)
Non-controlling interests	(45)	(34)
Total	20	(130)

Construction

The construction business posted higher profit for the current interim period. Average net profit before tax margin was 9.7% of turnover, which was above the 9.1% margin in the previous interim period, largely due to (i) profit upward adjustments with respect to certain of the construction projects completed in the current period and prior years being taken up in the current period; and (ii) the increased contribution from the maintenance business.

Property

The property division continues to enhance performance of the shopping malls and streamline the organisation structure, which saw further improvement in operating profit against the previous interim period. Net rental results of the shopping malls of the Group and the office tower of Chengdu Centropolitan increased remarkably in the first six months of 2021 amid the gradual recovery from the COVID-19 pandemic and much reduced concessions offered to tenants comparing to the prior interim period. Occupancy of the shopping malls was generally improving and the office tower of Chengdu Centropolitan was 98% let at 30 June 2021.

Almost all of the villa units of the Nanjing Scenic Villa project had been sold in previous years and property sales profit from the project decreased accordingly in this interim period. Property sales revenue and profit for the current interim period were mainly contributed by the strata-title sales of the retail and SOHO units of Phase 2 of the Tianjin Veneto project.

At 30 June 2021, the Group's investment properties were valued at HK\$4,705 million. Excluding the effect on the appreciation of the Renminbi against the Hong Kong dollar, in the current interim period, there was a 1.4% gross depreciation of fair value on a portfolio basis.

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 US\$ senior notes being incurred in 2020. As such, total net finance costs were decreased to HK\$72 million, from HK\$95 million in the previous interim period.

Foreign exchange gains (losses)

During the current interim period, the Renminbi and the United States dollar registered a 1.1% and 0.2% appreciation against the Hong Kong dollar, respectively. These resulted in net foreign exchange gains totalling HK\$76 million for the current interim period, of which HK\$29 million and HK\$47 million were recognised in the condensed consolidated statement of profit or loss and the condensed consolidated statement of financial position respectively, comparing with the foreign exchange losses of HK\$44 million and HK\$74 million respectively for the same period last 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 this interim period, pursuant to prevailing accounting standards.

Assets Base

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

	30 June 2021 HK\$ million	31 December 2020 HK\$ million
Total assets	9,326	9,750
Net assets	3,184	3,132
	HK\$	HK\$
Net assets per share	8.5	8.4

Total assets of the Group decreased to HK\$9.3 billion at 30 June 2021, from HK\$9.8 billion at 31 December 2020. The increase in both net assets of the Group and net assets per share was principally attributable to the HK\$20 million profit for the period and the net increase in the translation reserve of HK\$26 million on the appreciation of Renminbi against the Hong Kong dollar.

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

	30 June 2021 HK\$ million	%	31 December 2020 HK\$ million	%
Construction	1,879	20	2,211	23
Property	6,839	73	6,954	71
Corporate and others	608	7	585	6
Total	9,326	100	9,750	100

The proportion of total assets of each business segment remained relatively stable at 30 June 2021, when compared with that at 31 December 2020.

Equity, Financing and Gearing

The shareholders' equity of the Company increased slightly to HK\$3.2 billion on 30 June 2021, from HK\$3.1 billion on 31 December 2020.

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\$1,624 million on 30 June 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:

	30 June 2021 HK\$ million	31 December 2020 HK\$ million
Bank borrowings repayable:		
Within one year	1,091	1,037
After one year but within two years	205	215
After two years but within five years	471	494
After five years	55	69
Total bank borrowings	1,822	1,815
US\$ senior notes	1,265	1,258
Total bank and other borrowings	3,087	3,073
Bank balances, deposits and cash	(1,463)	(1,483)
Net bank and other borrowings	1,624	1,590

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, remained stable at 51.0% on 30 June 2021, compared with 50.8% on 31 December 2020.

Treasury Policies

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

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

Employees

At 30 June 2021, the number of employees in the Group was approximately 1,840 (31 December 2020: 1,811) in Hong Kong and Macau, and 348 (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 executive development and management trainee programmes. Based on the financial performance of the Group as well as the individual performance and contribution of the staff members each year, share options may be granted to senior management and staff members under different schemes as reward and long-term incentives. Likewise, in Mainland China, staff benefits are commensurate with market levels, with emphasis on building the corporate culture and professional training and development opportunities are provided for local employees. It remains our objective to be regarded as an employer of choice to attract, develop and retain high calibre and competent staff.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF SOCAM DEVELOPMENT LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of SOCAM Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 43, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong

27 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	HK\$ million (unaudited)	HK\$ million (unaudited)	2020
		2021		2020
Turnover				
The Company and its subsidiaries		2,397		2,251
Share of joint ventures		5		4
		2,402		2,255
 Group turnover	3	2,397		2,251
Other income, other gains and losses	4	67		(6)
Cost of properties sold		(49)		(63)
Raw materials and consumables used		(91)		(130)
Staff costs		(378)		(368)
Depreciation and amortisation		(23)		(18)
Subcontracting, external labour costs and other expenses		(1,684)		(1,571)
Fair value changes on investment properties		(68)		(51)
Dividend income from equity investments		–		3
Finance costs	5	(81)		(115)
Share of profit (loss) of joint ventures		4		(1)
 Profit (loss) before taxation		94		(69)
Taxation	6	(29)		(27)
 Profit (loss) for the period	7	65		(96)
 Attributable to:				
Owners of the Company		20		(130)
Non-controlling interests		45		34
		65		(96)
 Earnings (loss) per share	9			
Basic		HK\$0.05		HK\$(0.35)
Diluted		HK\$0.05		HK\$(0.35)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June		Notes	30 June 2021 HK\$ million (unaudited)	31 December 2020 HK\$ million (audited)
	2021 HK\$ million (unaudited)	2020 HK\$ million (unaudited)			
Profit (loss) for the period	65	(96)			
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	47	(74)			
Reclassification adjustments for exchange differences transferred to profit or loss:					
– upon deregistration of subsidiaries	(21)	–			
Item that will not be reclassified to profit or loss:					
Fair value changes of equity investments at fair value through other comprehensive income	6	(12)			
Other comprehensive income (expense) for the period	32	(86)			
Total comprehensive income (expense) for the period	97	(182)			
Total comprehensive income (expense) attributable to:					
Owners of the Company	52	(216)			
Non-controlling interests	45	34			
	97	(182)			

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2021 HK\$ million (unaudited)		31 December 2020 HK\$ million (audited)
		Non-current Assets	Current Assets	
Investment properties		4,705	4,720	
Goodwill		9	9	
Other intangible assets		2	3	
Right-of-use assets		24	29	
Property, plant and equipment		35	39	
Interests in joint ventures		115	111	
Financial assets at fair value through other comprehensive income		38	32	
Club memberships		1	1	
Trade debtors	10	–	7	
		4,929	4,951	
Current Assets				
Properties held for sale		760	807	
Properties under development for sale		182	180	
Debtors, deposits and prepayments	10	1,167	1,562	
Contract assets		692	665	
Amounts due from joint ventures		78	75	
Amounts due from related companies		40	12	
Tax recoverable		15	15	
Restricted bank deposits		369	382	
Bank balances, deposits and cash		1,094	1,101	
		4,397	4,799	
Current Liabilities				
Creditors and accrued charges	11	2,050	2,573	
Contract liabilities		17	41	
Lease liabilities		23	22	
Amounts due to joint ventures		142	137	
Amounts due to related companies		46	28	
Taxation payable		196	180	
Bank borrowings due within one year	12	1,091	1,037	
Senior notes	13	1,265	–	
		4,830	4,018	
Net Current (Liabilities) Assets		(433)	781	

	Notes	30 June 2021		31 December 2020		Attributable to owners of the Company										Non- controlling interests	Total Equity								
		HK\$ million (unaudited)	HK\$ million (audited)			Contributed surplus (Note a)			Share option reserve		Actuarial gain and loss		Investment reserve		Other reserve (Note b)										
				Share capital	Share premium account	Translation reserve	Goodwill	Accumulated losses	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million								
Total Assets Less Current Liabilities		4,496	5,732																						
Capital and Reserves																									
Share capital	14	374	374																						
Reserves		2,810	2,758																						
Equity attributable to owners of the Company		3,184	3,132																						
Non-controlling interests		251	219																						
		3,435	3,351																						
Non-current Liabilities																									
Bank borrowings	12	731	778																						
Senior notes	13	—	1,258																						
Lease liabilities		3	8																						
Defined benefit liabilities		19	16																						
Deferred tax liabilities		308	321																						
		1,061	2,381																						
		4,496	5,732																						
		At 30 June 2021 (unaudited)										374	2,982	373	197	(3)	(1,050)	5	34	(12)	284	3,184	251	3,435	
		At 1 January 2021										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										—	—	—	—	—	—	—	—	6	—	6	—	6	
		Exchange differences arising on translation of financial statements of foreign operations										—	—	47	—	—	—	—	—	—	—	47	—	47	
		Cumulative exchange differences reclassified to profit or loss upon deregistration of subsidiaries										—	—	(21)	—	—	—	—	—	—	—	(21)	—	(21)	
		Profit for the period										—	—	—	—	—	20	—	—	—	—	—	20	45	65
		Total comprehensive income for the period										—	—	26	—	—	20	—	—	6	—	52	45	97	
		Dividends payable to non-controlling interests										—	—	—	—	—	—	—	—	—	—	—	(13)	(13)	

Attributable to owners of the Company												Six months ended 30 June	
	Share capital	Share premium account	Translation reserve	Contributed surplus (Note a)	Accumulated Goodwill	Share option losses	Actuarial gain and loss	Investment revaluation reserve	Other reserve (Note b)	Non-controlling interests	Total	2021 HK\$ million (unaudited)	2020 HK\$ million (unaudited)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	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	-	-	-	-	-	-	-	(12)	-	(12)	-	(12)	
Exchange differences arising on translation of financial statements of foreign operations	-	-	(74)	-	-	-	-	-	-	(74)	-	(74)	
(Loss) profit for the period	-	-	-	-	-	(130)	-	-	-	(130)	34	(96)	
Total comprehensive (expense) income for the period	-	-	(74)	-	-	(130)	-	-	(12)	-	(216)	34	(182)
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(16)	(16)	
At 30 June 2020 (unaudited)	374	2,982	29	197	(3)	(1,252)	5	(16)	(11)	284	2,589	195	2,784
Net cash from operating activities												234	97
Operating cash flows before movements in working capital												56	63
Decrease in properties held for sale												(1)	(22)
Increase in properties under development for sale												404	(19)
Decrease (increase) in debtors, deposits and prepayments												(25)	96
(Decrease) increase in contract liabilities												(544)	(194)
Decrease in creditors and accrued charges												(35)	42
Movements in other working capital												(30)	(53)
Tax paid												59	10
Net cash from (used in) investing activities												1	4
Net proceeds from disposal of interest in an associate in previous years												17	84
Restricted bank deposits refunded												-	(22)
Restricted bank deposits placed												7	4
Other investing cash flows													
At 30 June 2020 (unaudited)	374	2,982	29	197	(3)	(1,252)	5	(16)	(11)	284	2,589	195	2,784
Net cash used in financing activities												92	759
Drawdown of bank borrowings												(89)	(826)
Repayments of bank borrowings												-	1,399
Issue of senior notes												-	(20)
Expenditure incurred on issue of senior notes												-	(1,343)
Repayment of senior notes												-	(28)
Payment for buy-back of senior notes												(68)	(72)
Interest paid												(31)	(29)
Other financing cash flows													
At 30 June 2020 (unaudited)	374	2,982	29	197	(3)	(1,252)	5	(16)	(11)	284	2,589	195	2,784
Net decrease in cash and cash equivalents												(12)	(280)
Cash and cash equivalents at the beginning of the period												1,101	1,354
Effect of foreign exchange rate changes												5	(15)
Cash and cash equivalents at the end of the period												1,094	1,059
Analysis of the balances of cash and cash equivalents												1,094	1,059
Bank balances, deposits and cash													

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

At 30 June 2021, the Group reported net current liabilities of HK\$433 million, which included HK\$786 million revolving bank loans with no fixed term of repayment. 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. In addition, taking into account the Group's operating cash flows, the available credit facilities and the expectation of obtaining new credit facilities, the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are mandatorily effective for the Group's financial period beginning on 1 January 2021. The application of these amendments to HKFRSs has had no material effect on the amounts and disclosures set out in the condensed consolidated financial statements for the current interim period.

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

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

3. SEGMENT INFORMATION

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

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

1. Construction and building maintenance – construction, interior fit-out, renovation and maintenance of building premises mainly in Hong Kong
2. Property – property development for sale and property investment in Mainland China and provision of property management services in Hong Kong and Mainland China
3. Other businesses – venture capital investment and others

3. 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 six months ended 30 June 2021

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. SEGMENT INFORMATION (continued)

(a) Reportable segment revenue and profit or loss (continued)

For the six months ended 30 June 2020

	Construction and building maintenance HK\$ million	Property HK\$ million	Other businesses HK\$ million	Total HK\$ million
Revenue				
Revenue from construction contracts	2,083	–	–	2,083
Revenue from property sales	–	80	–	80
Revenue from rendering of services in Hong Kong	–	49	–	49
Revenue from rendering of services in Mainland China	–	10	–	10
Revenue from contracts with customers	2,083	139	–	2,222
Revenue from property leasing	–	29	–	29
Group's revenue from external customers	2,083	168	–	2,251
Share of joint ventures' revenue	1	–	3	4
Total segment revenue	2,084	168	3	2,255
Timing of revenue recognition				
At a point of time	–	80	–	80
Over time	2,083	59	–	2,142
Revenue from contracts with customers	2,083	139	–	2,222
Reportable segment results	197	(130)	(10)	57
Segment results have been arrived at after crediting (charging):				
Depreciation and amortisation	(7)	(5)	–	(12)
Interest income	7	8	–	15
Fair value changes on investment properties (note)	–	(51)	–	(51)
Dividend income from equity investments	–	–	3	3
Finance costs	–	(7)	–	(7)
Share of (loss) profit of joint ventures	–	(3)	–	(3)
Property development	–	–	2	2
Other operations	–	–	–	(1)

Note:

The fair value of the Group's investment properties has been arrived at on the basis of valuations carried out by independent qualified professional valuers.

3. 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 30 June 2021

	Construction and building maintenance HK\$ million	Property HK\$ million	Other businesses HK\$ million	Total HK\$ million
Reportable segment assets	2,126	6,849	953	9,928
Reportable segment liabilities	1,813	838	445	3,096

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

	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
Revenue		
Reportable segment revenue	2,402	2,255
Elimination of share of revenue of joint ventures	(5)	(4)
Consolidated turnover	2,397	2,251

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. SEGMENT INFORMATION (continued)

(c) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities (Continued)

	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
Profit (loss) before taxation		
Reportable segment profit before taxation	198	57
Unallocated other income	–	5
Unallocated finance costs	(73)	(108)
Other unallocated corporate expenses	(31)	(23)
Consolidated profit (loss) before taxation	94	(69)

	30 June 2021 HK\$ million	31 December 2020 HK\$ million

Assets		
Reportable segment assets	9,928	10,347
Elimination of inter-segment receivables	(617)	(612)
Other unallocated assets	15	15

Consolidated total assets	9,326	9,750
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	30 June 2021 HK\$ million	31 December 2020 HK\$ million

Liabilities		
Reportable segment liabilities	3,096	3,478
Elimination of inter-segment payables	(617)	(612)
Unallocated liabilities		
– Bank borrowings	1,624	1,758
– Senior notes	1,265	1,258
– Taxation and others	523	517
Consolidated total liabilities	5,891	6,399

4. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
Included in other income, other gains and losses are:		
Other income		
Interest income	12	20
Government subsidies (note)	2	10
Other gains and losses		
Discount on senior notes buy-back	–	–
Exchange gain (loss)	49	(42)

Note:

The government subsidies represent the wage subsidy provided in connection with the support from the Anti-epidemic Fund of the HKSAR Government under the job creation 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.

5. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
Interest on bank and other loans	33	36
Interest on senior notes	44	77
Other borrowing costs	4	3
Less: amounts capitalised	–	(1)
	81	115

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6. TAXATION

	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	38	31
Macau Complementary Tax	–	1
The People's Republic of China ("PRC") Enterprise Income Tax	–	6
PRC Land Appreciation Tax	7	9
	45	47
Deferred taxation	(16)	(20)
	29	27

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits for the period.

Macau Complementary Tax is calculated at 12.0% (2020: 12.0%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax is calculated at 25% (2020: 25%) on the estimated assessable profits for the period.

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

7. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
Profit (loss) for the period has been arrived at after charging:		
Depreciation and amortisation		
Depreciation of property, plant and equipment	8	6
Depreciation of right-of-use assets	14	10
Amortisation of other intangible assets	1	2
	23	18

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend (2020: Nil) for the six months ended 30 June 2021.

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
Profit (loss) for the period attributable to owners of the Company:		
Profit (loss) for the purpose of basic and diluted earnings (loss) per share	20	(130)
	Million	Million
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	374	374
Effect of dilutive potential ordinary shares:		
Share options	–	–
	374	374
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	374	374

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

The computation of the diluted loss per share for the six months ended 30 June 2020 did not assume the exercise of the Company's share options, because this would result in a decrease in loss per share.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

	30 June 2021	31 December 2020
	HK\$ million	HK\$ million
Trade debtors aged analysis (note a):		
Not yet due or within 90 days	237	673
91 days to 180 days	3	1
181 days to 360 days	6	6
Over 360 days	1	3
Consideration receivable in respect of disposal of an associate (note b)	247	683
Prepayments, deposits and other receivables (note c)	33	34
	887	852
Less: amounts due for settlement after 12 months	1,167	1,569
	1,167	1,562

Notes:

- (a) Included in the trade debtors are receivables of HK\$7 million (31 December 2020: HK\$9 million), which are aged over 180 days, based on the date on which revenue was recognised.
- (b) The balances carry interest at 15% per annum.
- (c) Included in prepayments, deposits and other receivables at 30 June 2021 are receivables of HK\$516 million (31 December 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\$144 million (31 December 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 outstanding receivable in the amount of approximately RMB276 million (approximately HK\$332 million) (31 December 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 17(a)). Given that there have been continued positive outcomes in the legal disputes in relation to the property interest and recovery of the outstanding receivables, including the successful registration of title deed of the property under the name of the Debtor in May 2015, the Directors of the Company believe that these receivables will be fully settled and the guarantee provided by the Company will be fully released either through public auction of the aforesaid property interest or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

11. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors (based on invoice date) of HK\$130 million (31 December 2020: HK\$396 million), which are included in the Group's creditors and accrued charges, is as follows:

	30 June 2021	31 December 2020
	HK\$ million	HK\$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	104	353
31 days to 90 days	11	22
91 days to 180 days	2	6
Over 180 days	13	15
Retention payable	130	396
Provision for contract work/construction cost	342	375
Other accruals and payables	1,336	1,488
	242	314
	2,050	2,573

12. BANK BORROWINGS

During the period, the Group raised bank borrowings totalling HK\$92 million (2020: HK\$759 million), repaid bank borrowings totalling HK\$89 million (2020: HK\$826 million), and renewed existing credit facilities totalling HK\$758 million (2020: HK\$660 million). Renewed bank loan facilities of the Group carry interest at variable rates of approximately 1.10% to 3.35% (2020: 1.54% to 3.69%) per annum.

13. SENIOR NOTES

	30 June 2021	31 December 2020
	HK\$ million	HK\$ million
At the beginning of the period/year	1,258	1,344
Issue of new senior notes	-	1,399
Less: Transaction costs directly attributable to issue	-	(19)
Interest charged during the period/year	44	122
Discount on buy-back senior notes	-	(3)
Less: Interest payable reclassified under other payables	(39)	(108)
Less: Buy-back of senior notes	-	(125)
Less: Repayment of senior notes	-	(1,343)
Exchange adjustments	2	(9)
At the end of the period/year	1,265	1,258
Less: Amount due within one year shown under current liabilities	(1,265)	-
Amount due after one year	-	1,258

At 30 June 2021, the senior notes carries interest at 6.25% (2020: 6.25%) per annum.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. SHARE CAPITAL

	30 June 2021 Number of shares	31 December 2020 Number of shares	30 June 2021 HK\$ million	31 December 2020 HK\$ million
Ordinary shares of HK\$1 each:				
Authorised				
At the beginning and the end of the period/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 period/year	374,396,164	374,396,164	374	374

15. CAPITAL COMMITMENTS

At 30 June 2021, the Group had no significant capital commitments (31 December 2020: Nil).

16. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible participants. Movement of the share options outstanding during the current period are as follows:

	Number of shares subject to options
Outstanding at 1 January 2021	1,442,000
Exercised during the period	—
Lapsed during the period	—
Outstanding at 30 June 2021	1,442,000

17. CONTINGENT LIABILITIES

At 30 June 2021, the Group had the following contingent liabilities, which have not been provided for in the condensed consolidated financial statements:

- (a) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of 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 10(c) for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee to October 2021, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK\$651 million) at 30 June 2021 (31 December 2020: RMB542 million (HK\$644 million)) and the related interest amounting to RMB647 million (HK\$778 million) (31 December 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 condensed consolidated statement of financial position.

- (b) The Group is in discussion with the local government authority in the PRC with respect to the delay in construction completion of a development project in Tianjin, by the date as stipulated in the relevant land grant contracts. The relevant local government authority has accepted certain of the reasons identified by the Group in supporting the application for extending the completion date of the project. Based on the respective supplemental land grant contracts, a penalty of 0.02% of the land grant premium per day would be imposed from 29 June 2018 until the completion of the construction. Taking into account the aforesaid extension as accepted by the government authority and the fact that phase 1 of the project has been completed in 2015 and is in operation; and phase 2 of the project has been launched for pre-sale since January 2019, the estimated penalty as at 30 June 2021, if any, will not be more than RMB14 million (31 December 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the period, the Group had the following transactions with SOCL and its subsidiaries other than those of the Group.

Nature of transactions	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
SOCL and its subsidiaries		
Dividend income	—	3
Property management services income	3	3
Rental expenses	1	1

(b) During the period, the Group had the following transactions with joint ventures.

Nature of transactions	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
Interest expenses	6	5
Subcontracting work expenses	2	1

(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 period under HKAS 24 "Related Party Disclosures", were as follows:

	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
Fees	1	1
Salaries and other benefits	11	11
Bonuses	18	13
Retirement benefit scheme contributions	—	—
	30	25

Note:
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 regard to market trends.

18. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(e) The emoluments paid or payable to each of the six (2020: six) Directors which were included in note (d) above are set out as follows:

For the six months ended 30 June 2021

Name of Director	Six months ended 30 June 2021					Total HK\$'000
	Notes	Fees HK\$'000	Salaries benefits and other HK\$'000	Bonus* HK\$'000	Retirement benefit scheme contributions HK\$'000	
Mr. Lo Hong Sui, Vincent		5	—	—	—	5
Mr. Lee Chun Kong, Freddy		5	2,854	5,182	130	8,171
Ms. Lo Bo Yue, Stephanie	(i)	158	—	—	—	158
Ms. Li Hoi Lun, Helen	(ii)	275	—	—	—	275
Mr. Chan Kay Cheung	(ii)	297	—	—	—	297
Mr. William Timothy Addison	(ii)	260	—	—	—	260
		1,000	2,854	5,182	130	9,166

For the six months ended 30 June 2020

Name of Director	Six months ended 30 June 2020					Total HK\$'000
	Notes	Fees HK\$'000	Salaries benefits and other HK\$'000	Bonus* HK\$'000	Retirement benefit scheme contributions HK\$'000	
Mr. Lo Hong Sui, Vincent		5	—	—	—	5
Mr. Lee Chun Kong, Freddy		5	2,853	1,551	130	4,539
Ms. Lo Bo Yue, Stephanie	(i)	158	—	—	—	158
Ms. Li Hoi Lun, Helen	(ii)	275	—	—	—	275
Mr. Chan Kay Cheung	(ii)	297	—	—	—	297
Mr. William Timothy Addison	(ii)	260	—	—	—	260
		1,000	2,853	1,551	130	5,534

* The bonus is discretionary and is determined by reference to the Group's and the Director's personal performances.

Notes:

(i) Non-executive Director

(ii) Independent Non-executive Directors

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

At 30 June 2021, 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 of Hong Kong Limited (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 financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

DISCLOSURE UNDER RULES 13.20 AND 13.21 OF THE LISTING RULES

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\$1,945 million at 30 June 2021, which comprises:

	HK\$ million
Receivables	516
Guarantees	1,429
	1,945

The receivables are unsecured, repayable on demand and out of the total outstanding balance, an amount of HK\$144 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 10(c) and 17(a) to the condensed consolidated financial statements.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 23 January 2020, a written agreement (the "Indenture") was entered into between the Company as issuer and Citicorp International Limited as trustee, pursuant to which the US\$180 million 6.25% senior notes due 2022 (the "Notes") were issued. The Indenture provides that, upon the occurrence of a change of control (as defined in the Indenture), the Company will make an offer to repurchase all the outstanding Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Please refer to the announcement of the Company dated 20 January 2020 for related details.

Any breach of the above obligation will cause a default in respect of the Notes and may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately HK\$2,757 million at 30 June 2021.

GENERAL INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

At 30 June 2021, the interests of the Directors 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			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)	235,853,000 (Note 3)	236,165,000	63.07
Ms. Lo Bo Yue, Stephanie ("Ms. Lo")	–	–	235,853,000 (Note 3)	235,853,000	62.99

Notes:

1. Based on 374,396,164 shares of the Company in issue at 30 June 2021.
2. These shares were beneficially owned by Ms. Lolette 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 235,853,000 shares mentioned in Note 3 below.
3. 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
Ms. Lo	SOL	437,000 (Note 4)	–	4,489,291,751 (Note 3)	4,489,728,751	55.68

Notes:

1. Based on 8,062,216,324 shares of SOL in issue at 30 June 2021.
2. 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.
3. 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 62.99%. 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.
4. These represent the interests in the underlying shares of SOL under the outstanding share options granted by SOL.

GENERAL INFORMATION

(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)	US\$17,800,000
		Trust interests (Note 1)	US\$1,000,000
		Family interests (Note 2)	US\$2,000,000
		Family interests (Note 2)	US\$200,000
Ms. Lo	SODH	Trust interests (Note 1)	US\$17,800,000
		Trust interests (Note 1)	US\$1,000,000

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 30 June 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 30 June 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:

Name of shareholder	Capacity	Number of shares	Approximate percentage of issued shares (Note 1)
Mrs. Lo	Family and personal interests	236,165,000 (Notes 2 & 6)	63.07
SOCL	Beneficial owner	235,853,000 (Notes 3 & 6)	62.99
Bosrich	Trustee	235,853,000 (Notes 3 & 6)	62.99
HSBC Trustee	Trustee	234,381,000 (Notes 3, 4 & 6)	62.60
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:

- Based on 374,396,164 shares of the Company in issue at 30 June 2021.
- These shares 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.
- These 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.
- Based on the notice filed by HSBC Trustee on 23 January 2020 under Part XV of the SFO. According to the disclosures made by SOCL and Bosrich, at 30 June 2021, HSBC Trustee (being the trustee of a discretionary trust as mentioned in Note 3 above) was deemed to be interested in 235,853,000 shares representing approximately 62.99% of the issued shares of the Company.
- 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.
- All the interests stated above represent long positions.

Save as disclosed above, at 30 June 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 share 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.

Details of the share options granted under the Old Scheme which remained outstanding at 30 June 2021 are set out as follows:

Category of eligible participants	Date of grant	Subscription price per share HK\$	Number of shares subject to options					Period during which the options were exercisable (Note)
			At 1.1.2021	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	
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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

In 2020, the Company repurchased on the Stock Exchange a total of US\$16.6 million principal amount of the US\$180 million 6.25% senior notes due 2022 for an aggregate consideration of approximately US\$16.15 million. All the repurchased notes were cancelled by the Company in May 2021.

GENERAL INFORMATION

CORPORATE GOVERNANCE

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

The Board

At the date of publication 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. Six standing Board Committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Finance Committee, the Investment Committee and the Executive Committee, have been set up to oversee particular aspects of the Group's affairs. The current member lists of the Board and its various Committees are set out in the Corporate Information section of this report.

Audit Committee

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 Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021, including the accounting principles and practices adopted by the Group. It has also considered selected accounting, internal control and financial reporting matters of the Group, in conjunction with the Company's external auditor.

Remuneration Committee

The Remuneration Committee is responsible for making 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. It is also given the tasks to determine the remuneration package of individual Executive Director, and review and approve performance-based remuneration of Executive Directors with reference to the corporate goals and objectives.

Nomination Committee

The Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board composition to meet the needs of the Company.

Its duties also include making recommendations to the Board on the appointment or re-appointment of Directors and membership of the Board Committees, regularly reviewing the time commitment required from a Director to perform his/her responsibilities and assessing the independence of the Independent Non-executive Directors.

Finance Committee

The Finance Committee is responsible for reviewing the Group's financial strategies, compliance of the finance policy and the bank loan and bond covenants, as well as monitoring the overall banking relationship and the cash flow position of the Group.

Investment Committee

The Investment Committee is responsible for assessing investment and disposal recommendations on property projects of the Group and reviewing its overall investment/divestment strategy.

Executive Committee

The Executive Committee reviews, on a monthly basis, the operating performance and financial position of the Group and its strategic business units as well as the execution of the strategies and business plans approved by the Board.

Compliance with the Corporate Governance Code

Throughout the six months ended 30 June 2021, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules, except for the deviations explained below.

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

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

Compliance with the Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021.

CHANGES IN INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the biographical details of the Directors of the Company since publication of its 2020 Annual Report are set out as follows:

Name of Director	Details of changes
Mr. Lee Chun Kong, Freddy	<ul style="list-style-type: none">Appointed as a director of Project Mingde Foundation with effect from 11 June 2021
Ms. Li Hoi Lun, Helen	<ul style="list-style-type: none">Service contract for serving as an Independent Non-executive Director of the Company renewed for a term of two years commencing from 28 August 2021
Mr. Chan Kay Cheung	<ul style="list-style-type: none">Retired as a member of the Committee of Overseers of Lee Woo Sing College of The Chinese University of Hong Kong with effect from 31 July 2021

Details about the emoluments of the Directors of the Company for the six months ended 30 June 2021 are set out in note 18 to the condensed consolidated financial statements.

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 CODES

Shares: 983
Senior Notes: 40137

WEBSITE

www.socam.com

