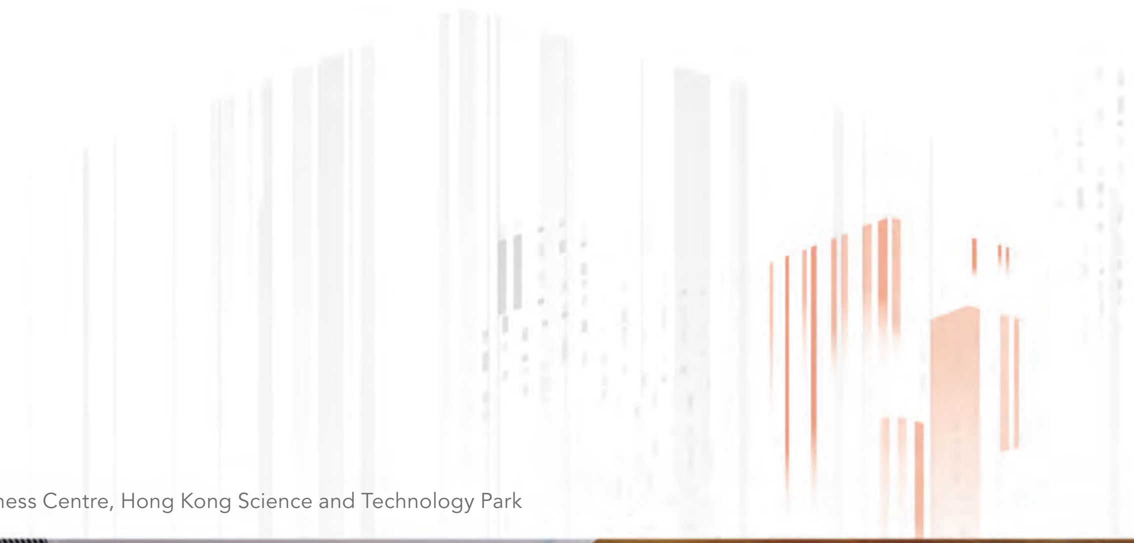
瑞安建業
SOCAM DEVELOPMENT
Stock Code : 983

CREATING 築建 新空間 SPACE

ANNUAL REPORT 2022



Business Centre, Hong Kong Science and Technology Park

CREATING SPACE

What is Space?
Space signifies our ambition to expand – to realise our development plans, and higher growth targets.

In the virtual world we see space as the blueprint of imagination, the conduit of shared project progress. From the creation of blueprints and lines, we are dedicated to building together more homes and a better tomorrow.

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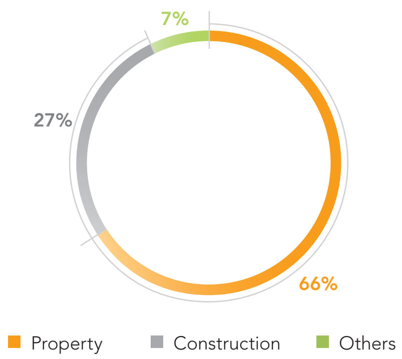
2022 HIGHLIGHTS

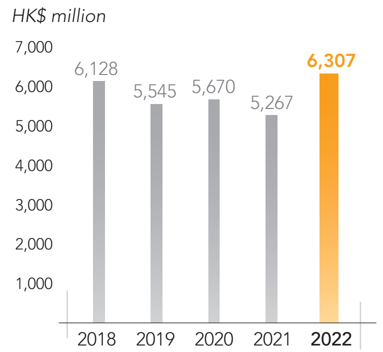
FINANCIAL HIGHLIGHTS

Year ended 31 December HK$ million	2022	2021	2020	2019	2018
Turnover	**6,307**	5,267	5,670	5,545	6,128
Profit (loss) attributable to shareholders	**(232)**	76	52	7	(139)
Basic earnings (loss) per share (HK$)	**(0.62)**	0.20	0.14	0.02	(0.31)
Dividend per share (HK$)	**–**	0.07	–	–	–
At 31 December					
Total assets (HK$ billion)	**9.1**	9.6	9.8	9.4	10.6
Equity attributable to owners of the Company (HK$ billion)	**2.6**	3.3	3.1	2.8	2.9
Net asset value per share (HK$)	**7.04**	8.72	8.37	7.49	7.52
Net gearing	**60.9%**	46.9%	50.8%	54.2%	84.9%

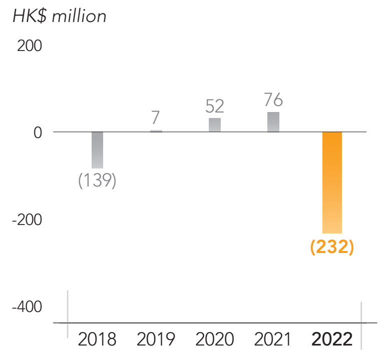
Assets Employed
At 31 December 2022



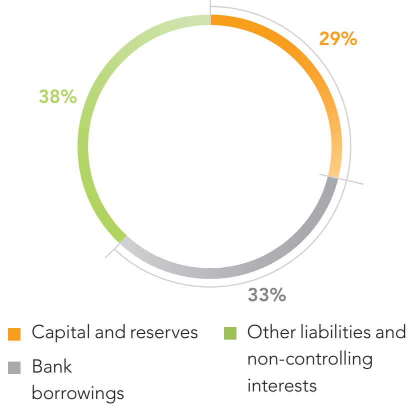
Turnover



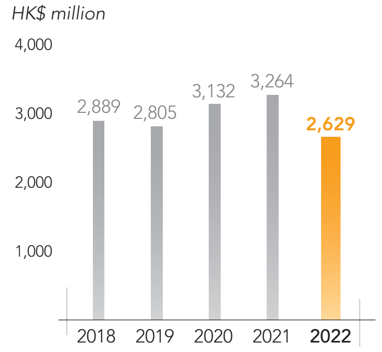
Profit (Loss) Attributable to Owners of the Company



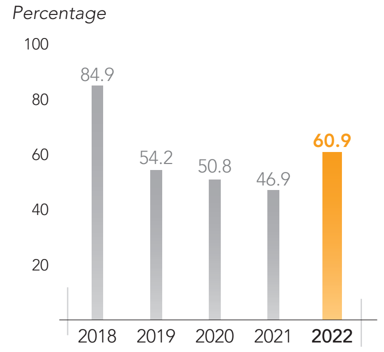
Capital and Liabilities
At 31 December 2022



Equity Attributable to Owners of the Company
At 31 December



Net Gearing
At 31 December



BUSINESS HIGHLIGHTS

CONSTRUCTION

Profit
HK$541 million ▲ 6%

Turnover
HK$6.0 billion ▲ 22%

Profit Margin
9.0% ▼ 1.4%

PROPERTY

Loss
HK$130 million ▲ 3%

Turnover
HK$275 million ▼ 17%

Leasing Income
HK$99 million ▼ 13%

ENVIRONMENTAL AND SOCIAL

Carbon Emissions Intensity
18.02 tCO_2e/million turnover ▲ 0.11%

Accident Rate
3.10 cases/1,000 workers ▼ 15.07%

Training Hours
26,234 hours ▲ 25.16%

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.

Better Tomorrow 2021–2030

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

OUR VALUES

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

- INTEGRITY
- QUALITY
- INNOVATION
- EXCELLENCE

CHAIRMAN'S STATEMENT

"We believe the future presents promising opportunities for SOCAM to contribute to Hong Kong's economic and societal development, as visionary urban planning creates space and liveability for the benefit of the community."

VINCENT H. S. LO
Chairman

Hong Kong Palace Museum

DEAR SHAREHOLDERS,

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

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

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

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

A Strong Market

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

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

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

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

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

> "We also feel excited with the HKSAR Government's new scheme on private sector participation in subsidised housing development, given SOCAM's expertise and proven track record in a number of similar housing projects in the past."

Innovation and Technology

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

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

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

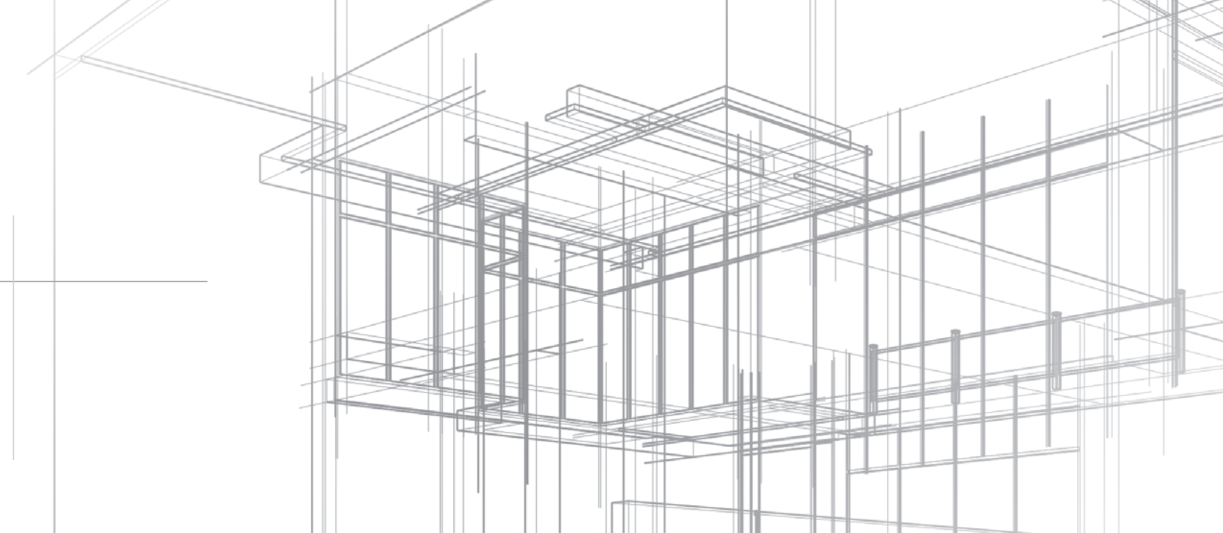
Driving a Sustainable Business

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

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

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

The retail consumer market in the Mainland suffered severe setbacks in 2022 as sporadic COVID-19 lockdowns prevailed across the country over the year. There are already indications that China will pivot towards a more consumption-based economy amid an increasingly complex external environment. Our asset enhancement initiatives and the constantly adjusted tenant mix make the Group's shopping malls appealing to the changing consumer behaviours and preferences under the new normal. Our mall management teams remain alert and



responsive to such trends in order to raise customer footfall. This will be challenging, despite that a recovery in the domestic spending is widely expected following China's reopening post COVID-19.

Well Positioned for the Future

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

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

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

A Few Words of Thanks

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

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

Vincent H.S. Lo
Chairman

Hong Kong, 24 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

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

FREDDY C. K. LEE
Chief Executive Officer

BUSINESS REVIEW

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

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

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

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

MARKET ENVIRONMENT

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

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

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

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

KEY DEVELOPMENTS

Optimising Business Opportunities

As Modular Integrated Construction (MiC) technology is gaining wider application in the government and institutional construction contracts, SOCAM has been looking for suitable manufacturers of MiC units in the Greater Bay Area for business co-operation to improve quality and safety, and reduce cost. In March 2023, we formed a partnership with Guangzhou Wan You, a well-established manufacturer in Guangzhou, for the supply of MiC units to our construction projects in Hong Kong, as a strategic step forward.

SOCAM has a comprehensive construction value chain, with Shui On Building Contractors Limited (SOBC), Shui On Construction Company Limited (SOC), Pacific Extend Limited (PEL), Pat Davie Limited (PDL), and recently added NetZo Limited (NetZo) of Smart Facilities Management, specialising in respective areas of construction works for major clients in the public, institutional and corporate sectors. During the year, we ramped up efforts to develop stronger capabilities and enhance productivity through creating greater synergies among our construction teams. The functions of our Zhuhai office have also been expanded to provide design and technical services to the entire construction operations in Hong Kong and Macau. In addition, we set up a regional office in Fanling to provide support to SOBC's new projects in Sheung Shui, and capture the upcoming promising business prospects arising from the Northern Metropolis Development Strategy, an important initiative for increasing land supply.

In addition, SOBC is seeking an upgrade of its 'Road and Drainage' licence under the Development Bureau so as to tender for major infrastructure maintenance works term contracts for roads, water and drainage in Hong Kong. PEL, in partnership with a renowned industry specialist, has expanded into the electrical and mechanical (E&M) services sector, targeting the E&M works for the major housing, hospital redevelopment and healthcare projects.

Interior fitting out works for the Shui On Centre

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

Building of Transitional Housing

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

SOCAM is no stranger to design and build, giving it a distinct competitive edge in the construction of transitional housing units. In July 2022, SOBC secured the contract for the design and build of transitional housing at Kam Tin, Yuen Long from the New Territories Association of Societies (Community Services) Foundation. Adopting steel MiC construction method in full, the project is scheduled for completion in August 2023, providing 1,020 units suitable for 2 to 4-person households in 13 months.

Integrating Sustainability into Our Operations

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

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

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

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

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

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

Redemption of Senior Notes and Stronger Financial Position

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

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

The transitional housing project in Kam Tin adopts MiC technology

CONSTRUCTION

MARKET REVIEW

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

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

"To align with the government's plan to provide more housing units in the coming years, SOCAM is well equipped to prepare for the opportunities ahead, and is ready to work closely with the government on creating a better community."

The two public housing development projects at Anderson Road, when completed, will provide over 3,310 units

At the same time, the HKSAR Government takes forward the HK$200 billion first 10-year hospital development plan (2017-2026) in full steam, while pressing ahead with the planning of the HK$300 billion second 10-year hospital development plan (2027-2036). Taken these two hospital development plans together, the Government aims to provide over 15,000 additional hospital beds and more than 90 operating theatres to meet the projected demand for public healthcare service up to 2036.

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

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

CONSTRUCTION TECHNOLOGY

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

In the purpose-built multi-welfare services complex at Kwu Tung North project, the Shui On Joint Venture (SOJV) adopted the MiC technology in full scale, and integrated BIM and other innovations and technology, including Multi-trade integrated Mechanical, Electrical and Plumbing, Design for Manufacture and Assembly (DfMA), Construction Project Management System and Digitalisation, over the whole project lifecycle. This project saw the completion of the installation of 1,764 freestanding integrated modules in February 2022, and delivery to the Architectural Services Department (ASD) in March 2023. The MiC technology, collaborated with these other innovative tools, have not only minimised the impact on environment, but also shortened the construction period, enhanced safety performance and cut down on costs.

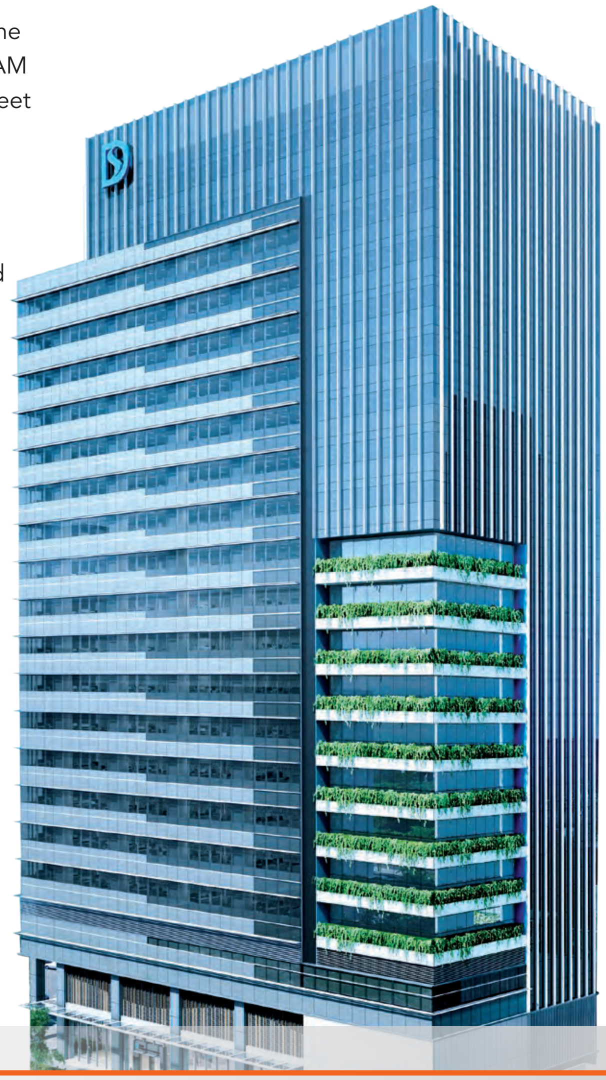
The Hong Kong Palace Museum, opened to the public in July 2022, embraces an intelligent combination of smart technologies and human touch in its construction. PDL undertook the fitting-out works of this project, which applied BIM technology comprehensively at all stages, from architectural design to construction and operation. In addition, the redevelopment of Kwai Chung Hospital (Phase 2) project of SOJV fulfills BEAM plus GOLD standards with wide adoption of BIM and other construction technologies to optimise the operational efficiency.

Heading towards "Construction 2.0", SOCAM has also been developing its capabilities in DfMA, Prefabricated Prefinished Volumetric Construction and 5G-connected artificial intelligence (AI), as well as the use of robotic machines in the construction processes in recent years.

We have strengthened our in-house design and technical capabilities through our Zhuhai office to enhance our competitiveness in tendering for the growing number of design-and-construction jobs in the public sector, and increased investment in strengthening and nurturing the BIM team. Through adopting advanced technologies, we stand to benefit from the elevated environmental impact, production efficiency and site safety, while easing the undue pressure due to the shortage of skillful workers.

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

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



The Drainage Services Department Building is scheduled for completion in 2025

SAFETY

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

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

- the Proactive Safety Contractor Award from the Hong Kong Construction Association (HKCA) in the HKCA Construction Safety Awards 2022; and
- 2021 Environmental Merit Award at the HKCA Hong Kong Construction Environmental Awards organised by the HKCA.

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

- Gold Award and Bronze Award in the Innovation Award for Safety and Environmental Excellence; and
- Bronze Award in the Considerate Contractor Site Award.

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

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

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

The public sector construction market will continue to thrive

OPERATING PERFORMANCE

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

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

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

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

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

SHUI ON BUILDING CONTRACTORS LIMITED AND PACIFIC EXTEND LIMITED

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

PROFIT BEFORE TAX

2022
HK$541 million
2021 HK$511 million

TURNOVER

2022
HK$6.0 billion
2021 HK$4.9 billion

PROFIT MARGIN

2022
9.0%
2021 10.4%

New Contracts Awarded and Workload

New contracts awarded

2022	HK$7.9 billion
2021	HK$3.8 billion

Gross value of contracts on hand
as of 31 December

2022	HK$24.4 billion
2021	HK$23.8 billion

Gross value of contracts to be completed
as of 31 December

2022	HK$16.2 billion
2021	HK$15.0 billion

NEW CONTRACTS

SOBC and PEL secured new contracts in a total amount of approximately HK$7.1 billion during 2022, which included:

- construction of a public housing development at Sheung Shui Areas 4 and 30 Site 2 Phase 2 and Footbridge Works at Ching Hong Road North Phase 3 for the HKHA (HK$1,329 million), which will make available 1,556 public rental housing units, retail space and ancillary facilities, when completed in 2025;
- construction of a public housing development at Sheung Shui Areas 4 and 30 Site 1 Phase 1 for the HKHA (HK$1,243 million), which will provide 1,463 public rental housing units, retail space, kindergarten, residential care home for the elderly and ancillary facilities upon completion in 2025;
- construction of a public housing development at Anderson Road Quarry Sites R2-6 and R2-7 for the HKHA (HK$1,408 million), which will make available 1,410 public rental housing units and car parking spaces, with the adoption of MiC technology, when completed in 2025;
- design and build of transitional housing at Kam Tin, Yuen Long from the New Territories Association of Societies (Community Services) Foundation (HK$519 million), which will provide 1,020 housing units and amenity facilities upon completion in August 2023;
- a 3-year term contract for minor works for New Territories East Cluster, awarded by the Hospital Authority (HK$792 million);
- a 3-year term contract for alterations, additions, maintenance and repair of aided schools, buildings and lands, and other properties in Wong Tai Sin, Kwun Tong and Sai Kung, awarded by the Education Bureau (HK$927 million); and
- a 3-year term contract for alterations, additions, maintenance and repair of aided schools, buildings and lands, and other properties in Tuen Mun and Yuen Long, awarded by the Education Bureau (HK$851 million).

Construction activity proceeded on track

During the year, apart from the new construction and maintenance contracts, SOBC and PEL saw good progress on their existing contracts, including:

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

EXISTING CONTRACTS

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

- the construction of a public rental housing development at Chai Wan Road for the HKHA, providing 828 housing units and ancillary facilities;
- two term contracts for alterations, additions, maintenance and repair of aided schools, buildings and lands, and other properties in designated districts in Kowloon and New Territories for the Education Bureau;
- the term contract for minor works for addition, alteration and improvement works of buildings and lands and other properties for which the Education Bureau is responsible in Hong Kong;
- the term contract for minor works for Kowloon West Cluster for the Hospital Authority; and
- the term contract for minor works at various premises in Shatin Racecourse for the Hong Kong Jockey Club.

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

Public housing project at Sheung Shui Areas 4 and 30 Site 2 Phase 2

SHUI ON CONSTRUCTION COMPANY LIMITED AND SHUI ON JOINT VENTURE

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

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

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

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

PAT DAVIE LIMITED

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

Faced with a challenging business environment, PDL has progressed well with the projects it secured, and managed to deliver them on schedule and within budget. Contracts worth a total of HK$427 million and HK$40 million were completed in Hong Kong and Macau respectively during the year. Notable ones included removal of asbestos and services replacement for refurbishment of the Regent Hotel, supply and installation of protective barriers at Festival Walk, and fitting-out works at Hong Kong Science Park and Hang Seng Bank Headquarters.

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

NEW CONTRACTS

The major contracts secured by PDL during the year included:

- fitting-out works on functional rooms, common areas and acoustic sensitive areas in the Hostel and Academic Building Complex for Hong Kong Baptist University;
- addition and alteration, fitting-out and building services works on various buildings in Hong Kong Science Park;
- reconfiguration of the Airfield Ground Maintenance Building at Hong Kong International Airport;
- revamp works for Departure Kerb of Hong Kong International Airport Terminal 1;
- design, supply and installation of aluminum cladding and grating system at Check-in Islands, and interior fitting out of front of house caring corner, coach lounges, limousine lounges and prayer room at Hong Kong International Airport Terminal 2;
- renovation works on public lavatories at Elements;
- addition and alteration, façade and fitting-out works at Shui On Centre;
- supply and installation of metal cladding and ceiling panels for a proposed office development in Central; and
- rectification works on the corridor pipe shaft for North Tower Tier 1 and 3, and South Tower Tier 1 at MGM Cotai, Macau.

The redevelopment of Kwai Chung Hospital Phase 2 is in good progress

SMART FACILITIES MANAGEMENT SERVICES

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

During the year, NetZo continued to implement sustainability facilities enhancement to the Group's shopping malls in the Mainland, and saw noticeable improvement in operational efficiency and energy saving. It also completed the provision of the smart facilities to the projects of Shui On Land (SOL) in Wuhan and Shanghai, and will take forward the SFM services in other SOL projects in the Mainland. NetZo is currently in negotiations with hospitals, schools and corporations in Hong Kong and several clients in the Greater Bay Area for the provision of SFM solutions.

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

MAJOR PROJECTS

"The Company is strategically expanding its services and value chain in areas such as interior fit-out, maintenance, and smart facilities management – aiming to providing excellent services to the Government, public and corporate clients in the entire construction cycle."

Transitional housing project at Kam Tin

DRAINAGE SERVICES DEPARTMENT BUILDING

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

REDEVELOPMENT OF KWAI CHUNG HOSPITAL (PHASE 2)

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

SHEUNG SHUI PUBLIC HOUSING DEVELOPMENT

- Two public housing projects in Sheung Shui, providing a total of 3,019 public housing units when completed by 2025.

PUBLIC HOUSING DEVELOPMENT AT ANDERSON ROAD

- Construction of a public housing development at Anderson Road Quarry Sites, to be completed in 2025.

Enhancing experiential shopping

PROPERTY

"The pandemic has changed how business operates and consumers' behaviour, posing challenges to retail and commercial leasing sector. Over the last few years, we made good progress with our transformation from local community malls to ones offering family-friendly attractions, enriched with green and fun elements."

MARKET REVIEW

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

As the pandemic entered its third year, the digital transformation of the Mainland's economy has moved much faster, thus posing particular challenges to the retail and commercial leasing sector. Mainland consumers are increasingly embracing online habits in their everyday life situations, while businesses strive to make greater use of digital tools and channels to increase customer acquisitions, forge seamless connections and create digital customer experience. These are driving the rapid growth of a 'stay-at-home economy'. Both the consumer and business attitudes and behaviours are undergoing transformation amid the evolution of the Mainland's digital landscape. In response to the rapidly evolving new normal, the Group has accelerated its asset enhancement initiatives in spite of the difficult market conditions, optimised the operations and revitalised the leasing and marketing strategies, solidifying our position as the "Community Mall" by offering unique green and fun elements in Chengdu, Chongqing, Shenyang and Tianjin.

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

OPERATING PERFORMANCE

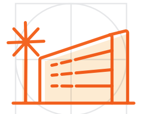
2022 was an extremely challenging year for our property business, with the most severe COVID-19 waves in three years. The city/district lockdowns and tough mobility curbs across the Mainland seriously hampered consumer sentiment and business activities, and triggered closure of malls and shops for varying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

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

TURNOVER

HK$275 million

RENTAL INCOME



HK$99 million

Property Portfolio

As of 31 December 2022, the Group owned six projects in the Mainland, which are summarised in the table below. The Group's property portfolio comprised a total gross floor area (GFA) of 397,200 square metres, of which 380,300 square metres GFA were completed properties, and 16,900 square metres GFA of the Nanjing Scenic Villa project are currently under development.

Location	Project	Villa (sq. m.)	SOHO/ Office (sq. m.)	Retail (sq. m.)	Carparks & Others (sq. m.)	Total GFA* (sq. m.)
Chengdu	Centropolitan	–	33,300	43,000	83,300	159,600
Chongqing	Creative Concepts Center	–	–	21,000	9,900	30,900
Guangzhou	Parc Oasis	–	–	–	4,300	4,300
Nanjing	Scenic Villa	10,900	–	–	7,700	18,600
Shenyang	Shenyang Project Phase I	–	1,600	62,200	25,500	89,300
Tianjin	Veneto Phase 1	–	–	63,600	–	63,600
	Veneto Phase 2	–	1,500	29,400	–	30,900
Total		**10,900**	**36,400**	**219,200**	**130,700**	**397,200**

* The GFA shown excludes sold and delivered areas.

Tianjin Veneto offers in-trend marketing activities

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

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

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

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

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

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

Adding green and fun elements to shopping malls

Leasing Performance

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

Occupancy Rates of Retail and Office Properties in Mainland China:

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

Organising themed events

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

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

Asset Enhancement

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

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

Property Sales

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

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

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

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

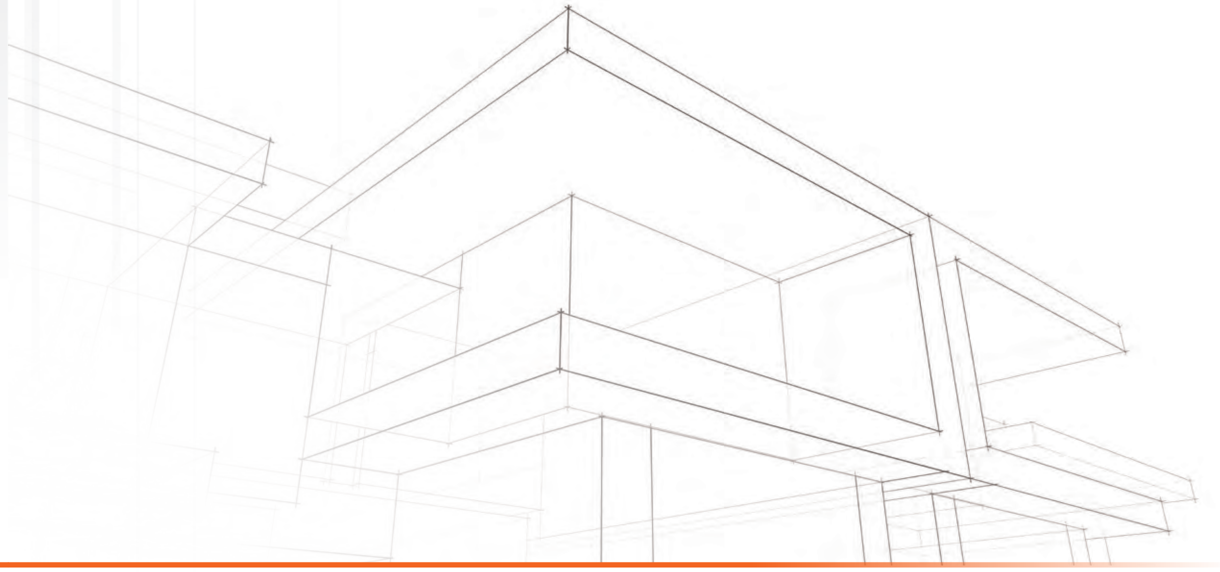
Property Management

During the year, Pacific Extend Properties Management Limited (PEPM) executed well on its various property management contracts as well as the 3-year facility management services contract for the Civil Aviation Department, and secured the following major contracts:

- a 5-year contract from the HKHA for the provision of property management services to the Ying Tung Estate and Mun Tung Estate in Tung Chung respectively, with total contract sum of HK$160 million; and
- two 3-year contracts and a 2-year contract from the Urban Renewal Authority for the provision of property management services to a residential building in Yaumatei and the rehousing block in Western District and Mongkok respectively, with total contract sum of HK$37 million.

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

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



OUTLOOK

"SOCAM is now well-placed to leverage the exciting advantages of our embedded expertise to pursue growth as a company and sustainable development for the society as a whole."

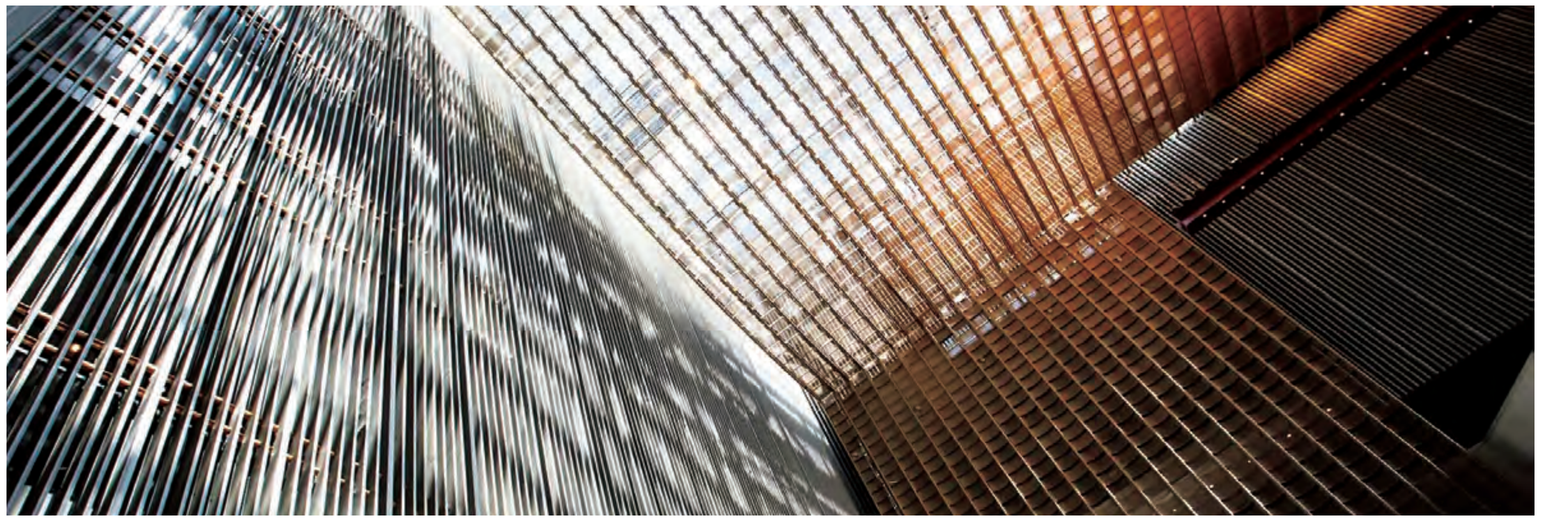
The world economy is poised to slow in 2023, as the growth momentum weakened significantly the year before. While potential escalation of the Russia-Ukraine war remains a major threat to global stability, the evolving China-US relation and rising geopolitical tensions will weigh on economic activity.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

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

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

The Hong Kong economy is expected to stage a recovery in 2023. The return of economic activities from the epidemic to normalcy should provide a boost to domestic consumption, and the full reopening of Hong Kong-Mainland border will benefit the local retail and tourism sectors. As long as Hong Kong actively dovetails itself with the country's development strategies, the economic outlook for Hong Kong remains promising in the medium to long term.

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



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

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

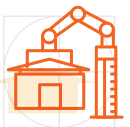
SOCAM is now well-placed to leverage the exciting advantages of our embedded expertise to pursue growth as a company and sustainable development for the society as a whole. The Group will continue to create the maximum possible shareholder return while we equip ourselves to embrace farsighted approaches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

TECHNOLOGY

CONSTRUCTION INNOVATIONS AND TECHNOLOGIES TO ENHANCE COMPETITIVENESS

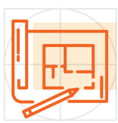
By adopting cutting-edge technologies such as BIM and MiC in our projects, it adds further layers to construction efficiency. Our team embraces the latest technologies with open arms, such attitude has paved way for the Group to enhance our competence and kept us ahead of market players.

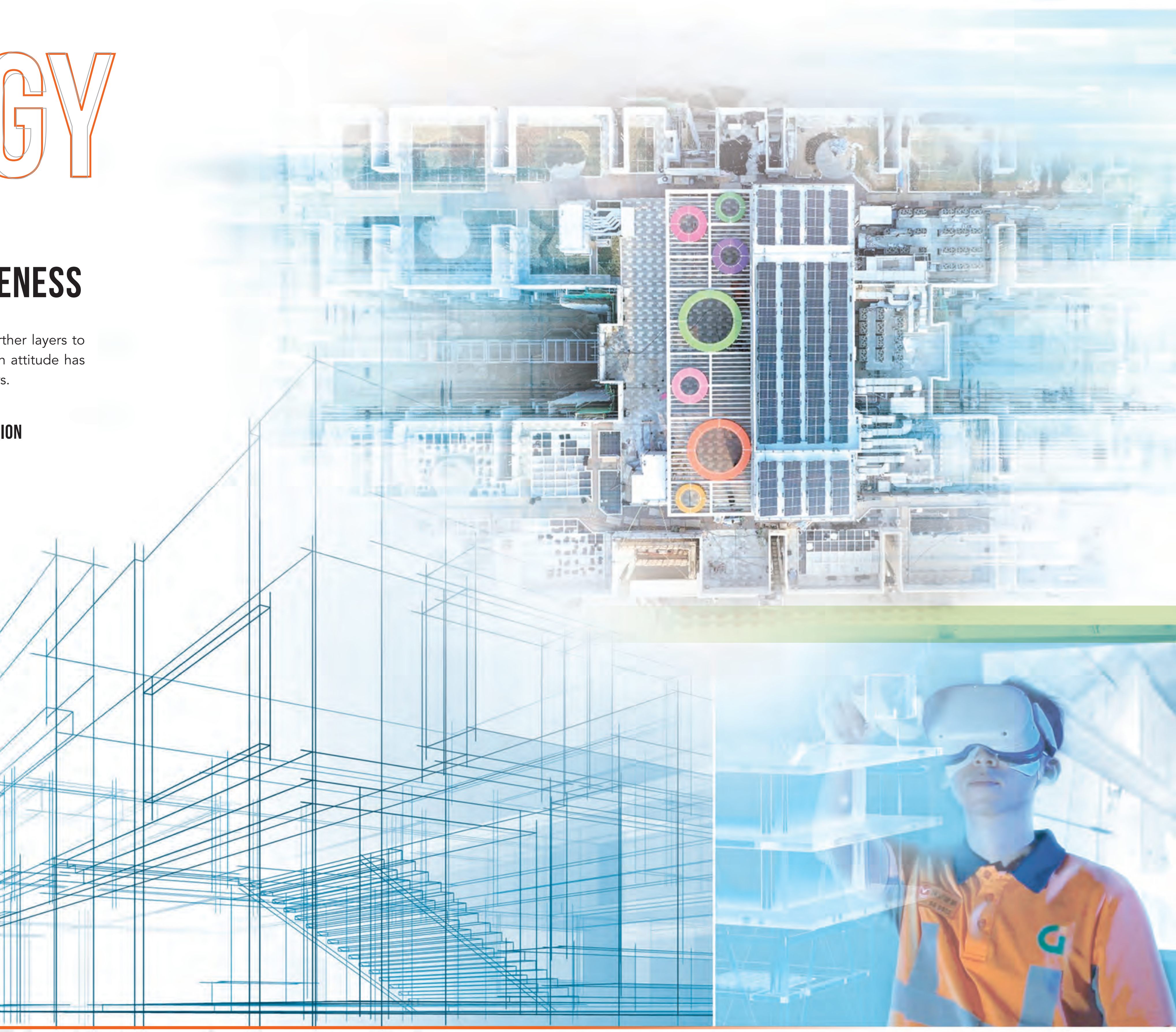
MiC



AI DEVICES

BIM APPLICATION





FINANCIAL REVIEW

Hong Kong Palace Museum

FINANCIAL RESULTS

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

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

An analysis of the total turnover is as follows:

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

Turnover from the construction and maintenance works reported a 22% increase for the year ended 31 December 2022. The redevelopment project of Kwai Chung Hospital (Phase 2) and the construction project of a multi-welfare service complex for the elderly at Kwu Tung North, worth approximately HK$6.7 billion in total, contributed nearly HK$2 billion turnover for 2022. Whilst revenue from the interior fitting-out contracts was tapered amidst the slowdown of the fit-out and refurbishment markets in both Hong Kong and Macau, this was offset by the increase in turnover from maintenance contracts. Revenue from the Mainland property business decreased to HK$133 million since much lower sales revenue was recognised for Phase 2 of the Tianjin Veneto project, which commenced handover of its retail shops and SOHO units since December 2020 and the reduced leasing income achieved amid the resurgence of COVID throughout 2022 in Mainland China.

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

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

Construction

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

Property

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

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

The Group achieved further saving in total operating expenses in the current year as the organisation continued to streamline to achieve a leaner operation.

Net finance costs

The Company's US$180 million 6.25% senior notes due January 2022 was refinanced upon its maturity by a 3-year term bank loan facility of HK$1.3 billion with a lower all-in cost. However, the surge in HIBOR since June this year has reduced the anticipated saving and total net finance costs remained at similar level of last year.

Net foreign exchange (losses) gains

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

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

ASSETS BASE

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

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

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

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

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

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

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company decreased to HK$2,629 million on 31 December 2022, from HK$3,264 million on 31 December 2021, for the reasons mentioned above.

Net bank and other borrowings of the Group, which represented the total of bank borrowings and senior notes, net of bank balances, deposits and cash, amounted to HK$1,601 million on 31 December 2022, as compared with HK$1,530 million on 31 December 2021.

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

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

Subsequent to the issuance of the 2-year US$180 million 6.25% senior notes in January 2020, the Group has repurchased a total of US$22.6 million senior notes, at a slight discount to the face value, from the open market. At 31 December 2021, the outstanding amount of the senior notes was reduced to US$157.4 million and was then refinanced by a 3-year term bank loan facility of HK$1.3 billion at a lower cost upon its maturity in January 2022.

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, increased to 60.9% on 31 December 2022, from 46.9% on 31 December 2021, which was mainly caused by the depreciation of Renminbi against the Hong Kong dollar as mentioned above.

TREASURY POLICIES

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

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

EMPLOYEES

At 31 December 2022, the number of employees in the Group was approximately 2,013 (31 December 2021: 1,867) in Hong Kong and Macau, and 286 (31 December 2021: 347) in subsidiaries and joint ventures in Mainland China. Remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits, including provident fund schemes and medical insurance, remained at appropriate levels. The Group continued to retain and develop talents through various initiatives such as Trainee and Apprentice Development Programmes for fresh graduates from various disciplines, Functional Executive Program for middle managers, Leadership Development Program for project managers as well as Talent Development Program for selected high potential management staff. Likewise, in Mainland China, staff benefits are commensurate with market levels, with emphasis on building the corporate culture and professional training and development opportunities are provided for local employees. It remains our objective to be regarded as an employer of choice to attract, develop and retain high calibre and competent staff.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT SCOPE AND BOUNDARY

The Environmental, Social and Governance ("ESG") Report reaffirms the Group's commitment to sustainability, and covers the efforts and performance of Construction Division, Maintenance Division, Interior Fitting-out Division, and Property Division of the Group in ESG aspects for the period from 1 January 2022 to 31 December 2022.

The environmental data are collected from the Hong Kong headquarters, 6 major construction projects, 8 interior fitting out projects and 15 maintenance projects in Hong Kong, and 4 property projects in the Mainland China.

This report discloses the Group's ESG performance in compliance with the HKEX ESG Reporting Guide. This year, we have taken further steps to align our sustainability efforts with the sub-targets of United Nations Sustainable Development Goals in our reporting.

BETTER TOMORROW 2021-2030

SUSTAINABILITY STRATEGY

With more than 50 years in the construction industry, SOCAM has made sustainability the cornerstone of its policies and practices. We create buildings, including public housing, hospitals, schools, institutional buildings and leisure activities for the community, and have long been committed to safety, environmental protection, and staff volunteering, building dynamic communities that meet community needs.

SOCAM introduced its sustainability strategy for the next ten years back in 2020. Our 'Better Tomorrow 2021-2030' is a multi-faceted determination that is at the core of all SOCAM sets out to achieve.

Purpose

SOCAM has embarked on its first sustainable development strategy **"Better Tomorrow 2021 – 2030"**, which sets out the sustainability blueprint, including the vision and the target, to guide efforts at adopting sustainable practices in all business operations. Powered by the full strength of our team, our mission is to become a sustainable and resilient business through continuous innovation, creating more opportunities and positive impact for our employees and stakeholders.

BETTER ECONOMY

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

BETTER ENVIRONMENT

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

BETTER COMMUNITY

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

Mid-term Targets

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

CARBON EMISSIONS INTENSITY

Increased

0.11% year-on-year

TARGET ▼ 25% carbon intensity

WASTE GENERATION

Declined

7.27% year-on-year

TARGET ▼ 25% waste generation

ACCIDENT RATE

Declined

15.07% year-on-year

TARGET ▼ 35% accident rate

SOCIAL INVESTMENT VALUE

241 hours of volunteering

Continuing to contribute to solving the domestic housing issue

TARGET Increase social investment value

TOP CHOICE OF EMPLOYER

MANAGING EMPLOYEE TURNOVER

TARGET Being the top employer of choice by managing employee turnover

TRAINING HOURS

Increased

25.2%

TARGET ▲ 25% overall training hours

* baseline year in 2020 while baseline year for accident rate is 2019.

ESG GOVERNANCE

The Board, through the Audit Committee, oversees the overall management of ESG and climate-related risks, and reviews the risk of business disruption and exposure to reputational concerns due to climate-related matters in alignment with Task Force on Climate-Related Financial Disclosure recommendations. The Group has in place an Enterprise Risk Management framework to identify, assess, and manage key risks, including ESG-related risks, effectively. This framework enables us to adopt a structured approach to identifying and managing risks across the Group, with on-going monitoring and reviews in place.

SOCAM's ESG performance is overseen by the Group's Sustainability Steering Committee, comprising our CEO and different business and functional unit heads, supported by five ESG sub-groups. The Committee implements the relevant measures, monitors performance on a regular basis, takes stakeholders' feedback into consideration to achieve continuous improvement, evaluates and prioritises material ESG risks and opportunities, and reports to the Audit Committee biannually.

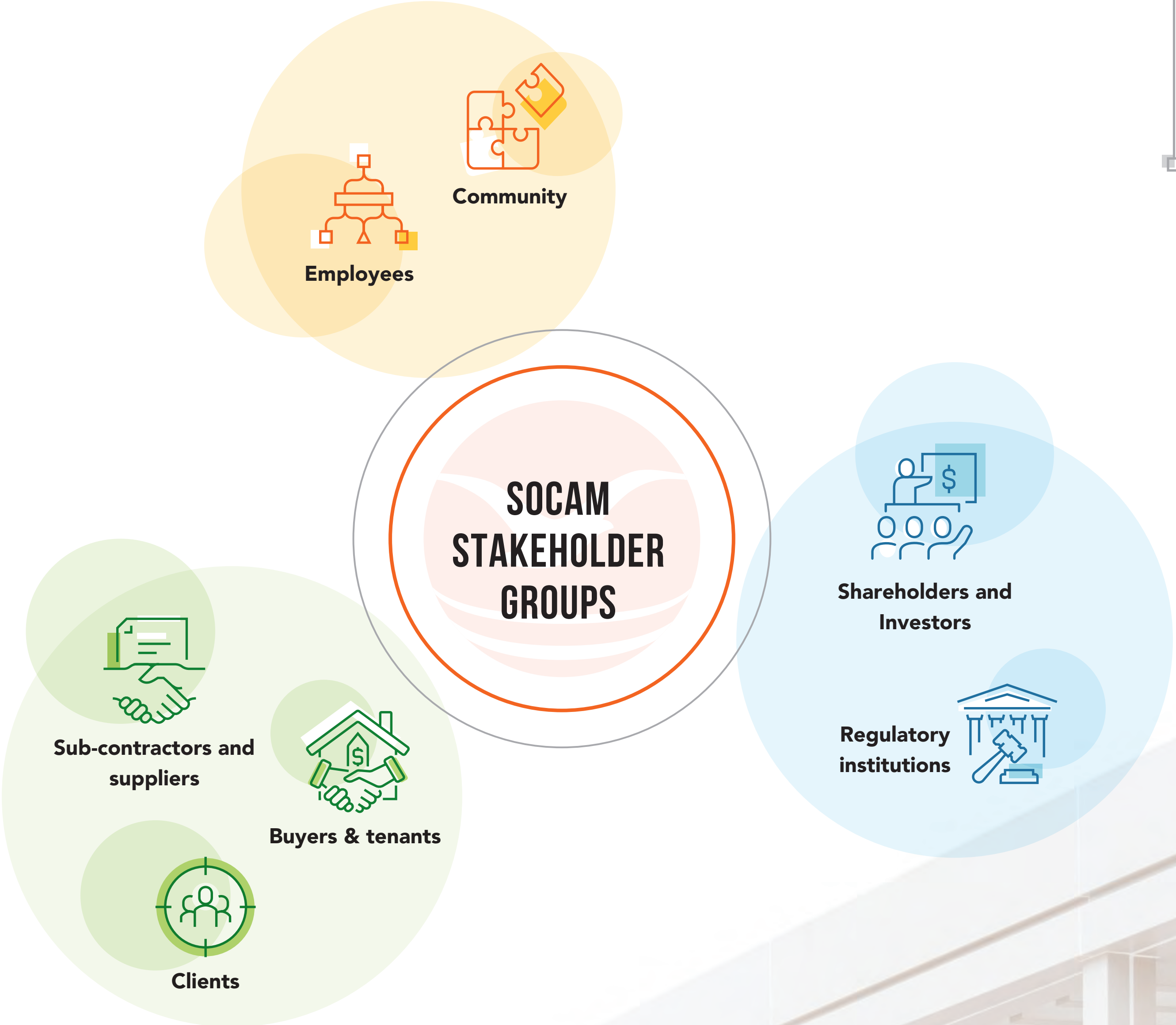
The Board is updated regularly by the Audit Committee on matters relating to the progress against ESG-related targets, and the management of sustainability performance of the Group's key material issues, providing clear sustainability roadmap.

The Group has a sustainability policy in place, and the Committee evaluates the policy regularly to provide all necessary resources and expertise to implement this policy effectively.

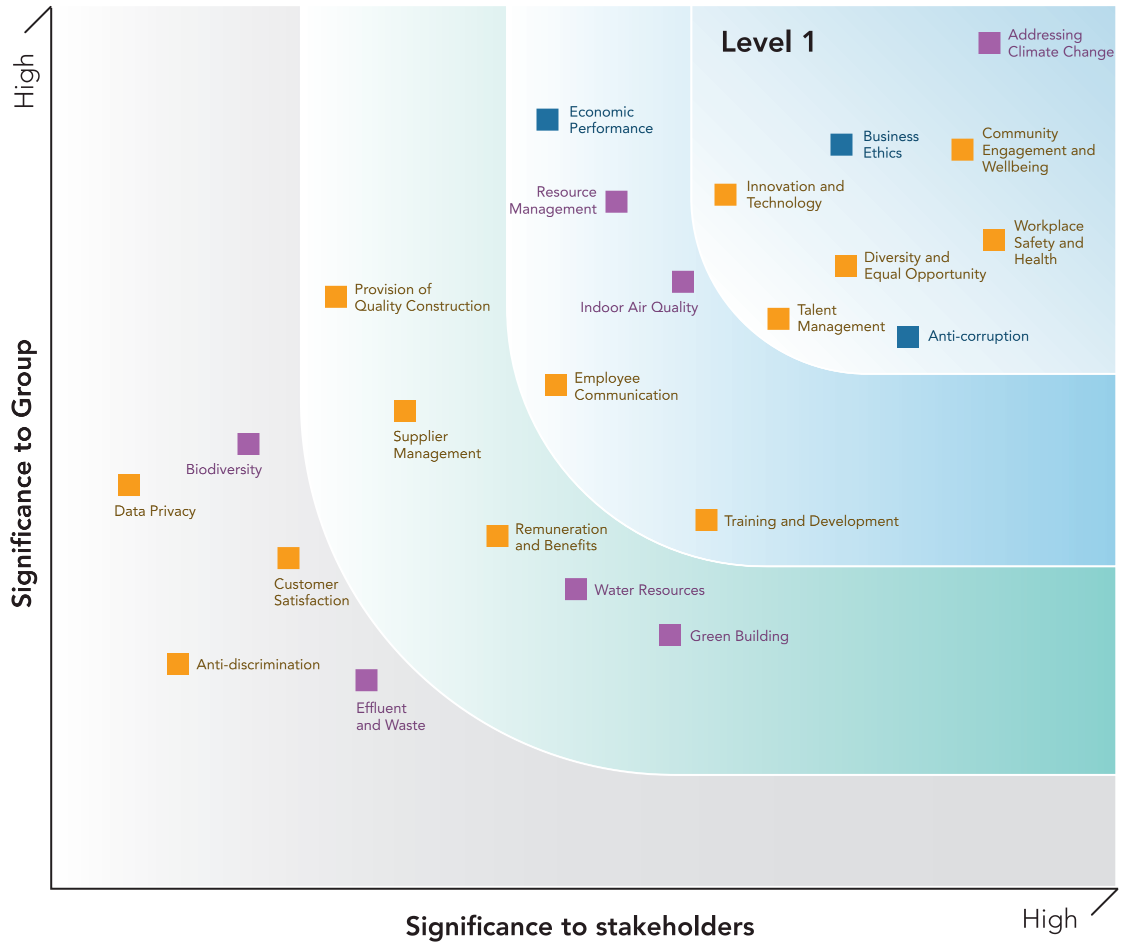
Stakeholder Engagement

Materiality assessment is very important for SOCAM, as we continue to understand our stakeholder needs and expectations to deliver our sustainability strategy. **We conducted an online survey in 2022 to gauge the perceptions of stakeholder groups regarding the impact our operations have on them.** The stakeholder groups selected are indicated in the the below infographics.

Following the process of identifying a pool of sustainability topics by peer benchmarking and reviewing ratings by agencies, and obtaining inputs from industry experts, we asked the stakeholder groups to share their perceptions of the impact. Their inputs were used to group the identified topics and prioritise them by our senior management in terms of impact on our value chain.



These topics include Addressing Climate Change, Innovation and Technology, Anti-corruption, Workplace Safety and Health, Business Ethics, Diversity and Equal Opportunity, Community Engagement and Wellbeing, and Talent Management. The list of identified material topics that was reviewed during the year and validated by our Sustainability Steering Committee is shown below.



■ Environmental Topic ■ Social Topic ■ Governance Topic

Aligning Our Efforts with SDGs

United Nations' Sustainable Development Goals (SDGs) encourage businesses across all sectors to help end poverty, protect the planet, and ensure prosperity for all. SOCAM supports the goals that most closely align with our business activities and we have identified 3 sub-targets. Selected examples of our efforts are disclosed in corresponding sections.

3 Focus Goals

BETTER ECONOMY

Material Topics/Key Areas

- Innovation and Technology
- Business Ethics
- Talent Development

Risk description

- Failure to adapt and invest in innovative technology to promote sustainable building practices and enhance user experiences
- Any misconduct impairing the Group's interests may damage the reputation of the Group and have a material impact on the Group's business
- See "Innovation and Technology" section on the initiatives we carried out

BETTER ENVIRONMENT

Material Topics/Key Areas

- Addressing Climate Change

Risk description

- Failure to adapt to new climate-related rules and regulations or demands from investors and customers
- See "Tackling Climate Risks" section on how we address climate change

BETTER COMMUNITY

Material Topics/Key Areas

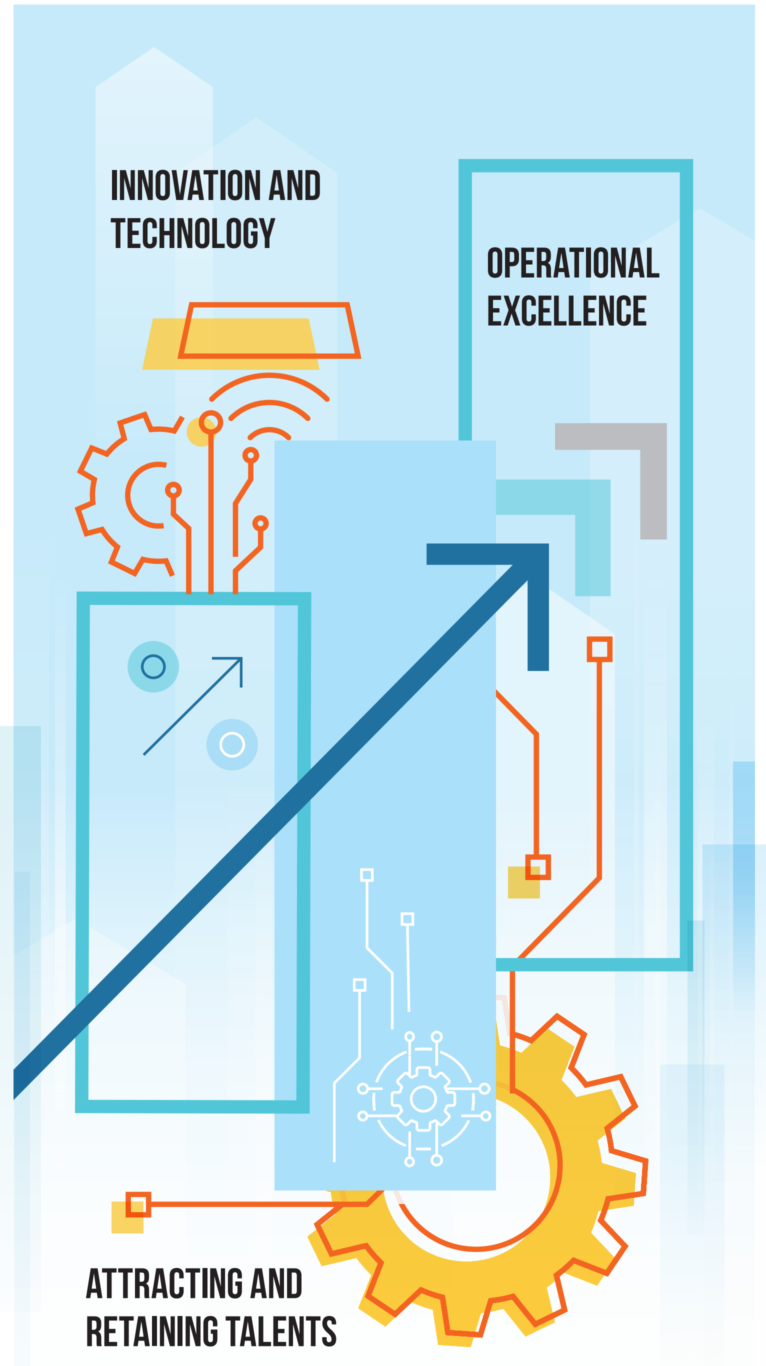
- Workplace Safety and Health
- Community Engagement and Wellbeing

Risk description

- Injuries and fatal accidents affecting people at our sites, or people affected by our operations
- Failure to support local communities where we operate
- See "Better Community" section on how we manage safety issues and create shared value in community

□ Automated material delivery robot

BETTER ECONOMY



Target 9.4
By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased **resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes**, with all countries taking action in accordance with their respective capabilities

INNOVATION AND TECHNOLOGY TO CONTRIBUTE TO SOCIAL DEVELOPMENTS

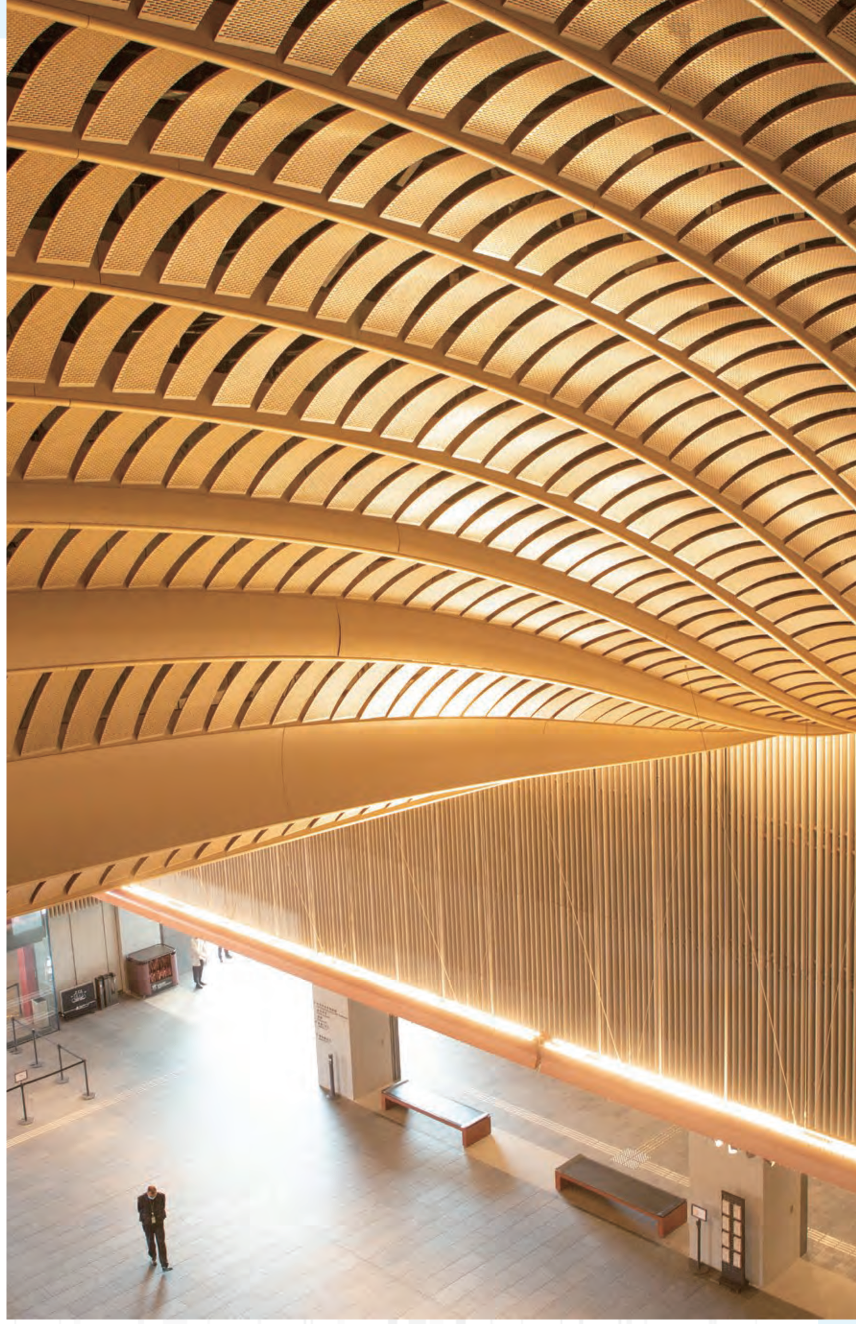
New technology and innovations are playing an increasingly important role to improve the Group's project efficiency. Examples include building information modeling ("BIM"), Modular Integrated Construction ("MiC"), and digitalisation. These technologies and processes facilitate further progress towards sustainability, improved safety, and reduced carbon emissions.

BIM TO INCREASE EFFICIENCY AND COLLABORATION

HONG KONG PALACE MUSEUM – A NEW HONG KONG ICON WITH BIM

Hong Kong Palace Museum was a challenging project with a unique interior ceiling composed of 6,800 pieces of three-dimensional glazed tiles. BIM helped increase the precision of manufacturing of components and avoiding unnecessary abortive errors. With the use of BIM technology, potential problems were identified and resolved prior to fabrication, preventing any unfitted panels being delivered to the construction site.

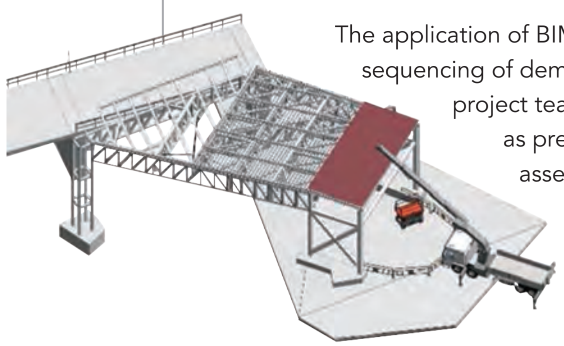
The ceiling not only creates a soft welcoming ambience but also enables natural lights to minimise energy use.



THE REDEVELOPMENT OF KWAI CHUNG HOSPITAL PROJECT PHASE 2 – SAFE DEMOLITION

Considering the nature, scale and complexity of the project and its impact on public safety and the environment, all departments of the project team are required to jointly formulate a set of detailed and rigorous safe construction procedures to ensure that the demolition of the platform can be carried out safely and smoothly.

The application of BIM facilitates accurate and careful scheduling and recording of daily work, sequencing of demolition, mechanical placement, or material storage, thus making it easier for the project team to formulate details of the demolition process and the potential risks, such as pre-identifying the site environmental constraints, and then making corresponding assessments on the selection and placement of lifting machinery and working platforms. Consequently, our team was able to successfully complete the relevant demolition of the iron platform in a safe and efficient manner.



Apply BIM to disassemble the structure of various components of the iron platform

KWU TUNG PROJECT

The project won the "Best Building Design" at the 2022 Autodesk Excellence Awards, recognising our best practices in implementing innovative ideas in building design management. It has successfully demonstrated to the industry the positive change we could make by continuously adopting new construction technologies to improve construction productivity, quality, safety, and environmental performance.

MiC – MAJOR ACHIEVEMENTS IN 2022

The Group further tapped into MiC, an approach that adopts the concept of "factory assembly followed by on-site installation" and the construction processes are transferred to a controlled factory environment for prefabrication, the modules are then transported to construction sites for assembly and installation. This effectively improves productivity, site safety, and quality control, while also shortening the construction time.

Social impact

Home ownership is a fundamental aspiration of the Hong Kong people, and SOCAM has always focused on helping families achieve their dream. Two projects are underway:

Transitional Housing at Kam Tin:

The project fully adopts steel MiC which will shorten the construction period to 13 months. The shorter timeframe is critical as it is to support the Government policy in providing temporary accommodation, meeting immediate housing demand for the general public.

Public Housing Development at Anderson Road:

Another project which adopts MiC will offer 1,410 public rental housing units, when completed in 2025.

COMPLETION OF KWU TUNG PROJECT IN THE NORTHERN METROPOLIS BY USING MiC

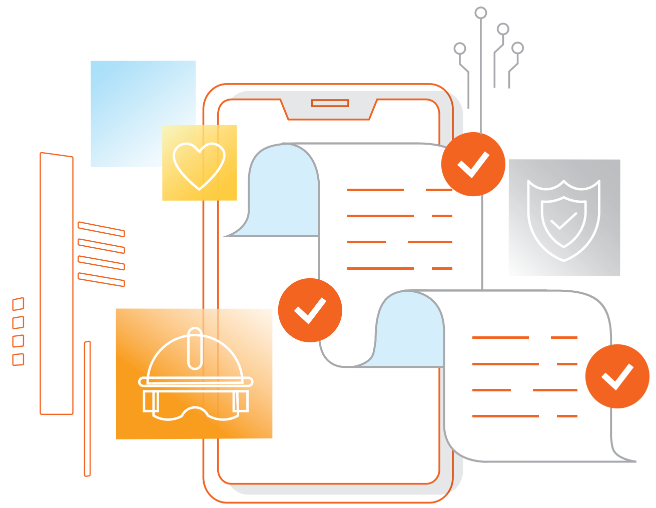
Creating a resilient community is one of SOCAM's sustainability goals. This is reflected not only in our project delivery, but also in the way we build. In the Kwu Tung North Multi-welfare Services Complex project, an 8-storey building providing 250 units of care homes for the elderly and disabled persons, we have adopted the MiC technology to increase productivity, safety and environmental performance. After all the sunny or rainy days spreading over 11 months, we finally reached the exciting moment when all the 1,764 MiC modules were installed. The project is planned to open in mid-2023, meeting the future needs of a green elderly home eco-system.

Our project team has started using Enertainers, large battery packs that replace diesel engines, to operate four heavy tower cranes for lifting and assembling MiC modules so as to reduce environmental impacts, including air and noise pollution caused by diesel generators, making it a quieter and safer construction site. Meanwhile, to safeguard workers' health, we procured an air disinfection robot to disinfect the construction site area and workers' canteen on a regular basis. The project team also used an automated material delivery robot to assist workers in transporting heavy materials. As a result, we were able to avoid any injuries to the workers caused by manual handling of heavy materials.

DIGITALISATION

SOCAM has created an environmentally conscious, technology-focused construction strategy that is committed to making us an employer of choice, and supports the communities where we do business. We will continue to "invest in innovative technology" to promote sustainable construction practices and enhance customer experiences.

Our company-wide paperless and process optimisation effects, such as paperless, management portal and e-tendering system, continue to enhance efficiency and communication.



Application of Internet of Things at Construction Sites

The SOCAM site adopts smart safety helmets to monitor the safety, health and location of users, which can detect and warn users not to enter hazardous areas. We also have temporary lift gates, alarm devices, and electrical box alarm devices at our sites to monitor and record usage. In case of any irregularities, the system automatically sends phone messages to alert the site management. Other applications are adopted to:

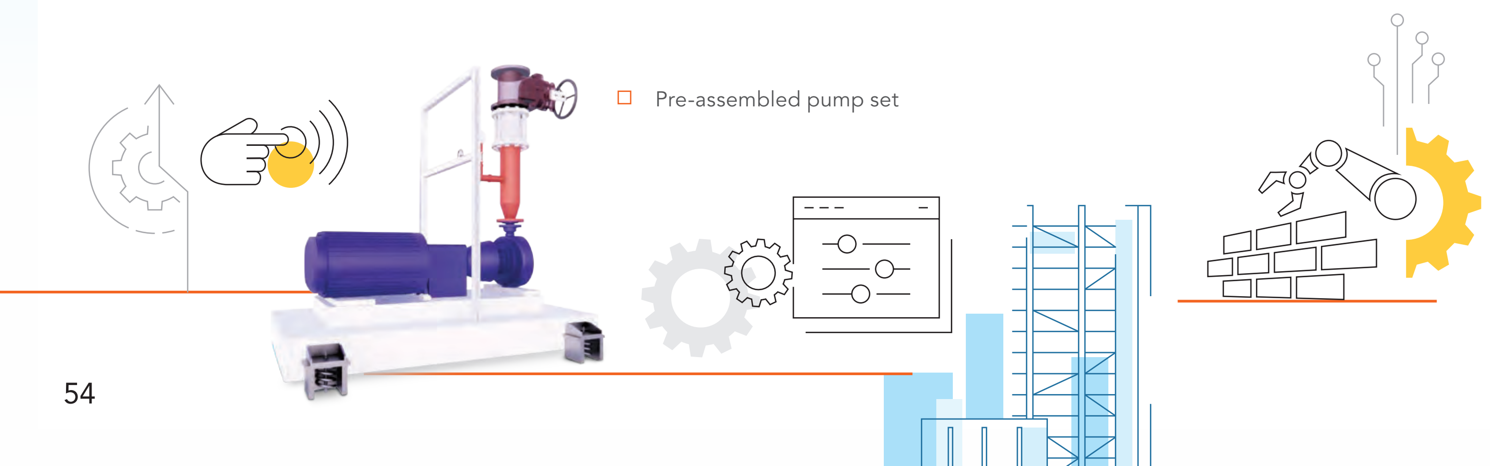
1. Monitor the concrete intensity
2. Monitor the location and usage of machinery
3. Ensure usage of safety belt
4. Detect workers' location and body index

Application of Automation and Mechanisation at Construction Sites

The Company has increased the use of automated and mechanised robots or mechanical equipment to assist construction workers, successfully mitigating the potential risk hazards faced by construction workers. We pioneered the application of automation and mechanisation at construction sites, such as intelligent robots and self-developed material transportation vehicles. Intelligent robots can automatically travel to the workers' walking areas and main access to the construction site. Automated spray heads are installed on the robots, which can continuously disinfect the construction site, greatly enhancing the sanitation of the construction site and protecting the health of workers.

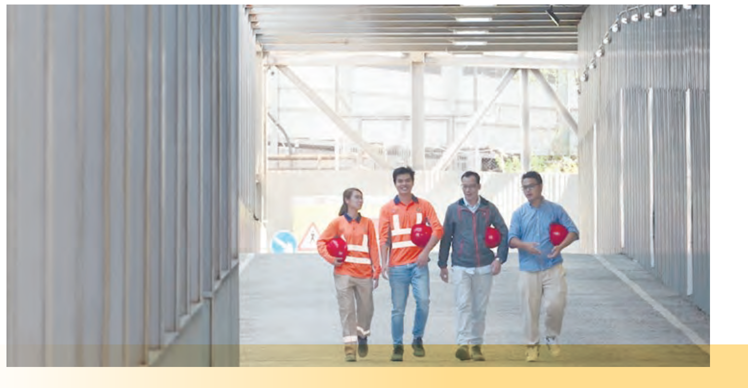
The self-developed material transportation vehicles can be fully automated after entering the driving route and destination to assist workers in transporting construction materials. In addition, transportation vehicles are equipped with anti-collision function to avoid collision between transportation vehicles and nearby obstacles and pedestrians, which greatly reduces the risk associated with the transportation of materials.

Since digital transformation of the Mainland's economy is moving fast and a new normal is evolving rapidly, the Group has accelerated its asset enhancement initiatives at its malls in Chengdu, Chongqing, Shenyang and Tianjin. We remain committed to re-energise our malls' retail, dining and entertainment atmosphere, and enhance the green and fun mall experience to meet evolving consumer expectations and trends.



Pre-assembled pump set

ATTRACTING AND RETAINING TALENTS

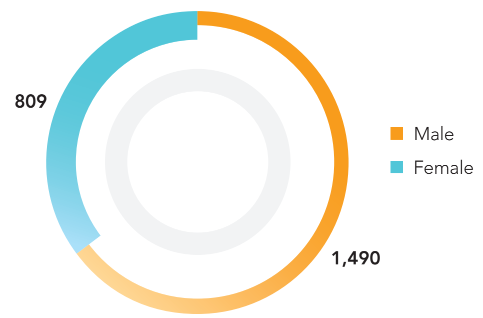


SOCAM's success starts with having the best talents. To ensure that success, the Group focuses on attracting, developing and retaining a highly skilled workforce. We have a well-implemented process for attracting talents through various channels such as career talks and recruitment programmes. Ability to tap into a wide talent pool in the Greater Bay Area is also essential to reach that goal. For the past three years, our Zhuhai office has expanded 53% in workforce and has now formed an affiliated drawing team for adoption of advanced construction technologies, supporting the construction operations in Hong Kong and Macau. The new workforce and perspectives offer more opportunities for SOCAM to implement ambitious innovation plans, in order to enhance future growth.

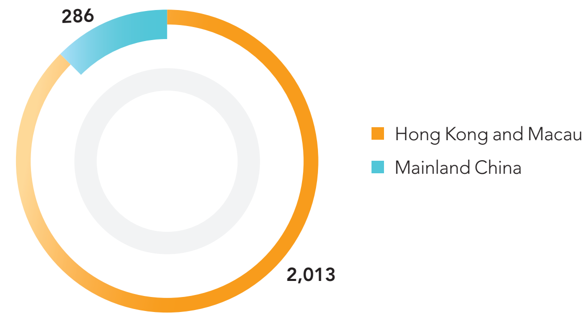
As of 31 December 2022, we employed 2,299 people in total, of which 2,013 were based in Hong Kong and Macau and 286 based in cities located in Mainland China. The male to female ratio is approximately 1.8:1.

Employee distribution

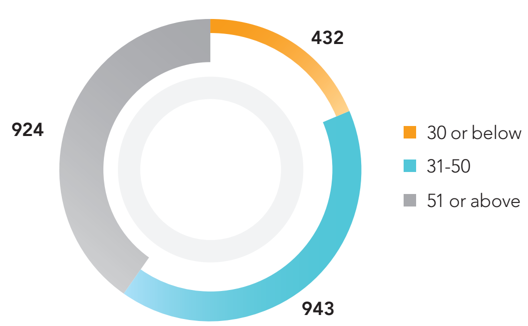
Gender



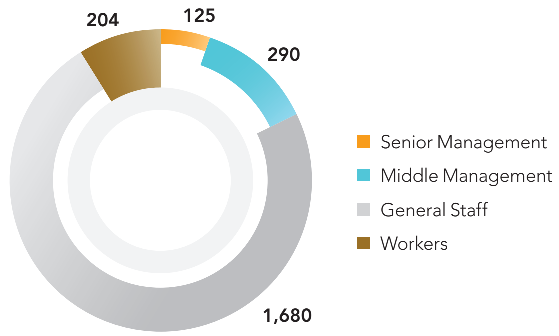
Geographical Location



Age



Employee Category



Fostering a diverse and inclusive culture enables us to achieve stronger outcomes together. The embrace of diversity is integrated into employee attraction and recruitment initiatives, performance review processes and talent development programme, ensuring that we continue to make positive progress.

In the face of intensifying competition for talents, we will step up and further implement measures to improve work conditions and provide diverse professional training.

TRAINING AND DEVELOPMENT

The Group's objective is to make itself attractive as an employer for top talents. Adopting sustainable technologies and digitalisation help us achieve this by offering more opportunities for our talents to develop and excel with the Company, the industry and the community.

The Group's talent development programme is being expanded to other business units, covering corporate and smart facilities management. These programmes help build relationships and networks across the talent pool to foster collaboration and knowledge sharing across the organisation, while developing the critical thinking skills needed to be effective in today's challenging business environment, preparing associates for future leadership roles at SOCAM.

The COVID-19 pandemic has accelerated the development of our Learning Management System which offers various self-paced courses. More technology-related, and industry-related courses were introduced during the year, covering essential business topics and management skills.

NEW TRAINING COMPOUND

During the year, the Group established a sub-office in Fanling, to shorten the distance our staff has to commute while working in the Northern Metropolis area, and a brand-new training compound in Ping Che aiming to create a venue close to the natural environment, facilitating experiential learning.

2022 TRAINING HOURS (EXCLUDING HSE TRAINING)

GROUP-WIDE

26,234 ▲ 25.2%
2021: 20,961

AVERAGE TRAINING HOUR

11.4 ▲ 20.0%
2021: 9.5

GENDER

	Male	Female
2022	18,864	7,370
Change	▲ 27.0%	▲ 20.7%
2021	14,855	6,106

EMPLOYEE CATEGORY

			2021
Senior Management	4,251	▲ 66.3%	2,557
Middle Management	5,733	▲ 22.1%	4,695
General Staff	15,031	▲ 23.0%	12,224
Workers	1,219	▼ 17.9%	1,485

OPERATIONAL EXCELLENCE

Supply Chain Management

Close cooperation with suppliers and enhanced digital capabilities are increasingly important in improving productivity and reducing environmental impacts. We work with our supply chain partners to implement a shared commitment to ESG topics such as labour rights, safety, ethics and environment. The Group's procurement department has standardised procedures to select, evaluate, supervise and review the performance of suppliers and sub-contractors.

Assessments are conducted quarterly to review the quality of materials, progress of work, site safety, environmental protection performances and wage payments. During the year, we have updated our Green Procurement Guidelines, urging departments responsible to preferentially procure environmentally friendly products.

With an extensive supply chain consisting of more than 1,200 suppliers of materials and goods, sub-contractors for construction and property management agencies, maintaining effective communication is key to promoting responsible practices.

Number of Suppliers and Sub-contractors (2022)

	2022	2021
Property in Mainland China	155	105
Construction in Hong Kong	707	741
Interior Fit-out in Hong Kong and Macau	385	283

Anti-corruption

SOCAM is devoted to upholding responsible business practices. The Management is fully committed to enforcing of our code of business ethics and to ensuring employee knowledge and compliance.

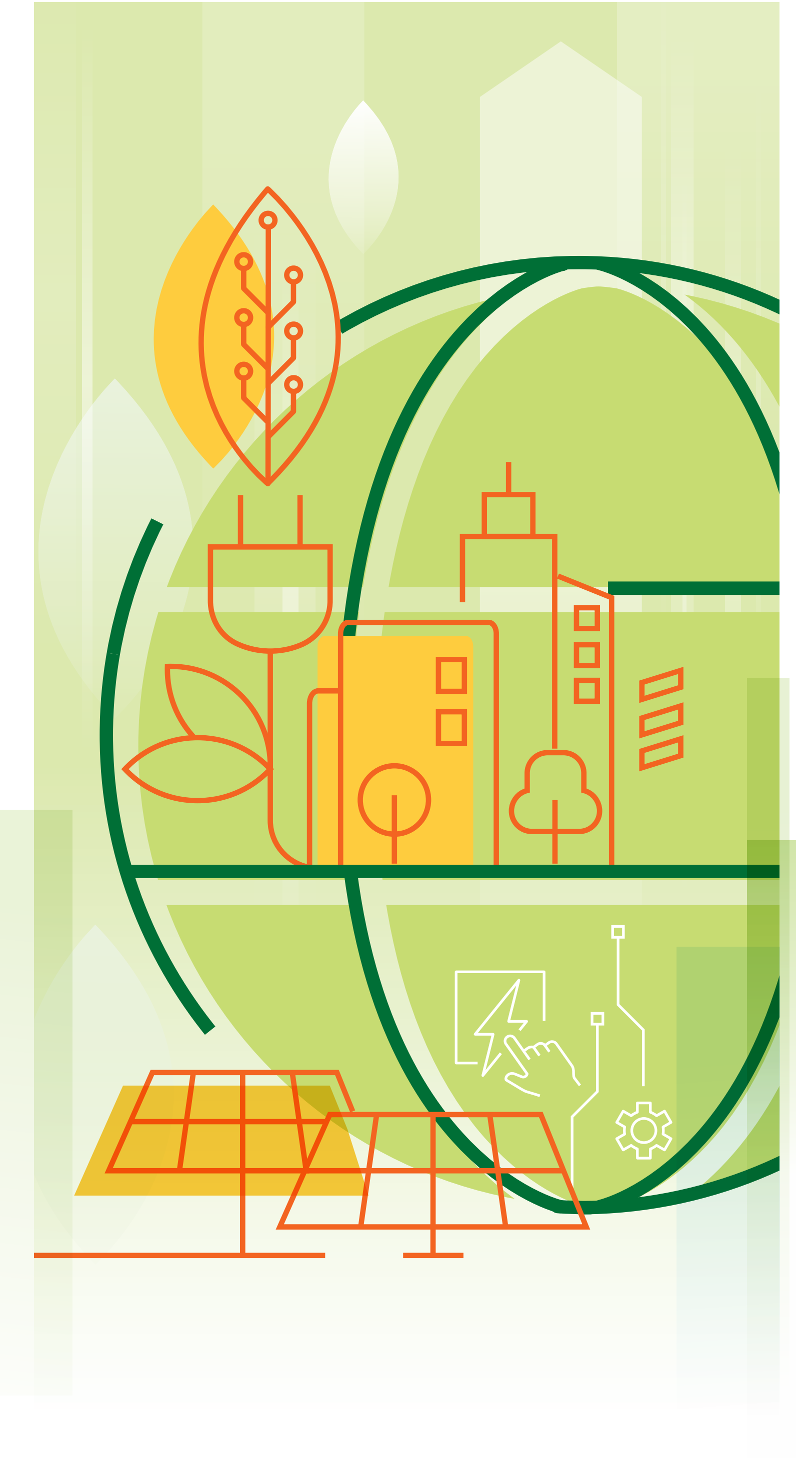
Business Ethics Policy

A business ethics policy, whistle-blowing policy and staff handbook are in place and regularly updated to enhance employee awareness and understand their rights and obligations. We have reviewed our business ethics and anti-corruption policy during the year, incorporating the latest updates from ICAC which include best practices and corruption guidelines.

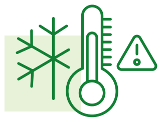
Integrity Training

Much effort has been expended throughout the years to emphasise a high degree of integrity in all our daily operations. In November, the ICAC provided a total of 7 online and group gatherings on the latest best practices updates involving our top executives, management teams and employees across our different businesses. This helped us to work together with our business partners, sub-contractors and suppliers to consolidate total probity, which is imperative to fulfilling our corporate commitment towards building an inclusive and transparent community. During the year, **a total of 1,816 hours were recorded on anti-corruption training.**

BETTER ENVIRONMENT



Target 13.1
Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries



TACKLING CLIMATE RISKS

The changing climate is putting pressure on society, with the higher frequency of extreme weather incidents affecting all stakeholders. During the year, the European Union has taken a step closer to adopting a carbon tax law. Policy changes aimed at reducing carbon emissions and changing of building standards are also taking place in Hong Kong and Mainland China. The projects that SOCAM develop must be gradually adapted in order to withstand the effects of climate change. **Our climate policy is in place to guide us through disclosing our carbon data with integrity, assessing the climate-related risks and opportunities and implementing actions to deal with those risks and opportunities.**

Disclosure

Develop a carbon tracking digital platform to ensure collection of reliable high-quality data of Greenhouse Gas ("GHG") emissions data with proper documentation

Assessment

Assess climate-related risks and opportunities according to the recommendations of the Taskforce on Climate-related Financial Disclosure ("TCFD")

Implementation

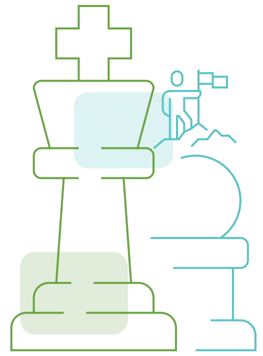
Adopt energy efficient practices and technologies in our construction projects and operations; implement eco-friendly practices along our supply chain and encourage our employees to adopt low-carbon practices in our daily operations

As this report highlights, our company is getting ready in each of the four elements of recommended climate-related financial disclosures.

GOVERNANCE

Chaired by the CEO, the Sustainability Steering Committee identifies and assesses ESG-related risks and opportunities, including climate-related issues. The Sustainability Steering Committee reports bi-annually to the Audit Committee which in turn reports to the Board, which oversees ESG and climate-related matters and strategies.

STRATEGY

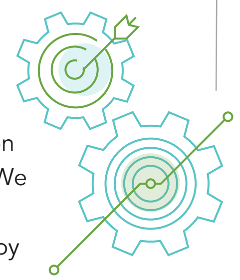


SOCAM prioritises climate-related risks and opportunities in short-, mid- and long-term, and gradually integrates into the Group's businesses, strategies, and financial planning.

RISK MANAGEMENT

Our risk management and internal control systems take into consideration ESG and climate-related issues.

METRICS & TARGETS



We have been measuring and disclosing our energy consumption and Scope 1, 2 and 3 emissions. We have set a target of reducing our GHG emissions intensity by 25% by 2024, against the 2020 baseline.

For climate-related risk and opportunity assessment, we utilised a questionnaire that involved key personnel across the business and corporate functions to uncover and understand SOCAM's material climate risks and opportunities. We have identified climate risks and opportunities that are relevant to our business operations, and listed the actions taken to manage them, as shown in the table below.

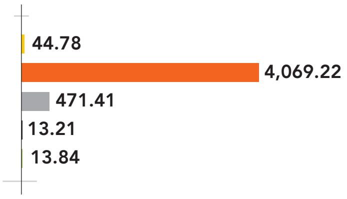
Type	Risks/ Opportunities	Potential Financial Impacts	Our Actions in 2022
Physical Risks			
Acute	Frequent Extreme Weather	• Extra costs may be incurred due to disruption of project completion • Increased costs due to damage of structures and facilities	Assessment • Conduct specialised training for employees concerned
Chronic	Prolonged period of extreme hot weather	• Higher manpower costs because of increased health issues	Implementation • Launch HSE campaigns to promote prevention of heat strokes and implement measures during times of extremely hot weather
Transition Risks			
Policy and Legal	More stringent government policies for decarbonisation	• Increased cost of compliance and operation	Disclosure • Set a carbon reduction target
Technology	Intensified competition in green building construction	• Reduced tenders due to competition	Implementation • Adopt sustainable construction technologies
Opportunities			
Resource Efficiency	Improved resource efficiency in response to market demand	• Reduced operating costs due to resource conservation	Implementation • Implement energy-saving initiatives and digitalisation of processes
Products	Advancement in green building technologies	• Increased revenue through demand for low emission infrastructure • Increased revenue with strengthened capabilities	• Increase the use of green products and renewable energy

Our annual carbon emissions are much influenced by the project development cycles, as we are involved in a range of projects that vary in scale and stages of work progress every year. We are fully aware that more effort is needed, and we will continue to manage and improve our reduction plans in order to meet our carbon reduction target in 2024.

The table on the next page shows our carbon emissions in 2022 from different business segments. In 2022, the total carbon emissions amounted to approximately 85,622 tonnes of carbon dioxide equivalent (tCO_2e), representing an increase of approximately 42.3% in the total emissions. Carbon intensity is 18.02 tCO_2e per million turnover.

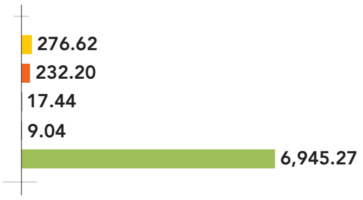
Carbon Emissions[1] (Unit: tCO_2e) in 2022

Scope 1



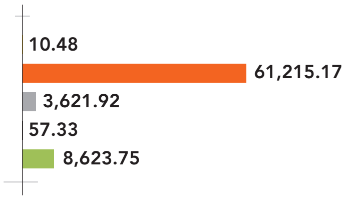
Total
4,612.46
(2021: 2,883)
(2020: 2,195)

Scope 2



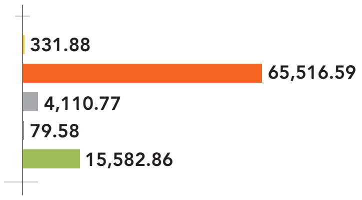
Total
7,480.57
(2021: 11,221)
(2020: 16,974)

Scope 3



Total
73,528.65
(2021: 46,065)
(2020: 43,373)

Total Emissions



Total
85,621.68
(2021: 60,169)
(2020: 62,542)

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

Our goal is to transition to low-carbon construction across all our projects and lower our carbon intensity by 25% by 2024.

[1] The scope of carbon emissions are defined as below:
Scope 1 Direct emissions: Combustion of fuels for energy generation and mobile combustion, fugitive emissions (refrigerant leakage), process emissions (acetylene combustion, and CO_2 from fire extinguisher)
Scope 2 Energy indirect emissions: Electricity use, natural gas use and imported heat in our office as well as other business units
Scope 3 Other indirect emissions and removals: Transportation of purchased materials and waste; electricity used for processing fresh water and sewage treatment; major construction materials used; paper waste disposal; inert and non-inert waste disposal; business travel of our employees

Innovative energy storage

ENERGY EFFICIENCY INITIATIVES

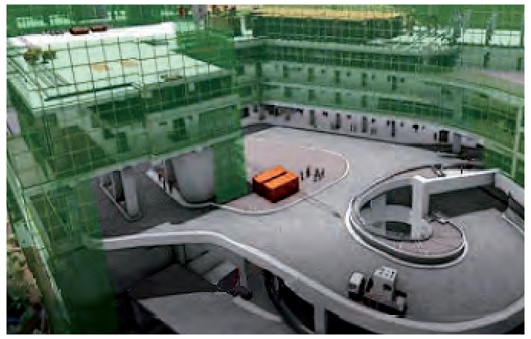
Partnering with AMPD, the Group has installed eleven Enertainers operating in our sites during the years to replace diesel generators. Compared with the conventional diesel generators, Enertainer does not produce point-of-use emissions such as CO, NOx, PM and HC, and its carbon footprint is around 20% of a diesel generator. Going forward, the Group has plans to install more Enertainers which can provide stable and high efficiency energy to the tower crane, especially during the superstructure construction phase. We also aim to encourage our sub-contractors to use Enertainers so that fossil fuels consumption on sites is significantly reduced.

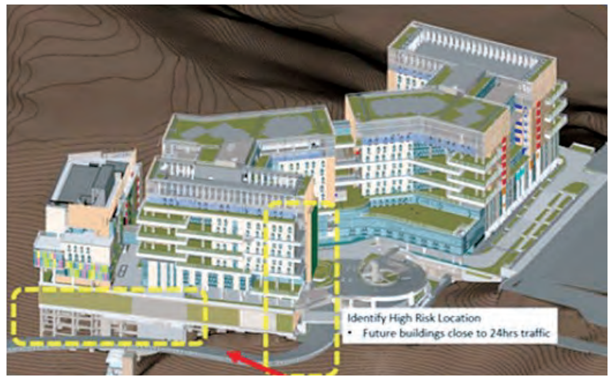
Non-road Mobile Machinery

The Group has increasingly been adopting B5 diesel which can reduce GHG emissions by using more of ULSD. B5 diesel includes 5% of biodiesel and 95% diesel. Biodiesel is mainly produced from locally collected waste cooking oil and grease trapped oil. Biodiesel also reduces greenhouse gas emissions on a lifecycle basis. This is because the carbon dioxide released during combustion is offset by the carbon dioxide sequestered while growing the feedstocks that are used to produce the fuel.

Installation of Automatic Engine Switch off System for Forklifts

When the forklift operator has left the seat for a pre-determined period, the system gets activated and automatically switches off the forklift engine by cutting off its diesel supply. A typical excavator machine is energised by a 110 kW diesel engine and consumes 33 Litres of diesel fuel per hour, and only 30% of this energy is used for digging and lifting loads. The rest of consumed energy is wasted in mechanical and hydraulic maneuverings.





The use of BIM minimises errors in construction

Energy Retrofits Undertaken in Mainland China

The Group operates four shopping malls in Mainland China. Amid the backdrop of COVID-19 for the past three years, we are committed to undertaking retrofits to improve energy efficiency and mitigate impacts to the environment. The table below summarises the initiatives implemented and their results obtained in 2022.

Location	Retrofits implemented	Results obtained	Future plan
Tianjin	Optimising AC in public area, redistribution of transformer load to reduce power loss	Reduced electricity by approximately 766,048 kWh, reduced consumption by 29.2% from 2021	Plan carpark lighting retrofit and AC system enhanced control
Chengdu	Lighting system and public area AC system retrofitting	Saved approximately 1,187,500 kWh annually, or down 28.7% from 2021	Plan to implement retrofit on office AC system and low nitrogen transformation for gas boiler
Chongqing	Lighting retrofit in public area	Reduced approximately 12,000 kWh from 2021	Plan to obtain additional 20% reduction by digitalising central AC system
Shenyang	Retrofitting AC air handling unit, lighting equipment and escalator	Reduced electricity by approximately 264,345 kWh, or down by 9.7% from 2021	Plan to implement retrofit on AC system and gas boiler using energy enhanced control system and car park lighting retrofit

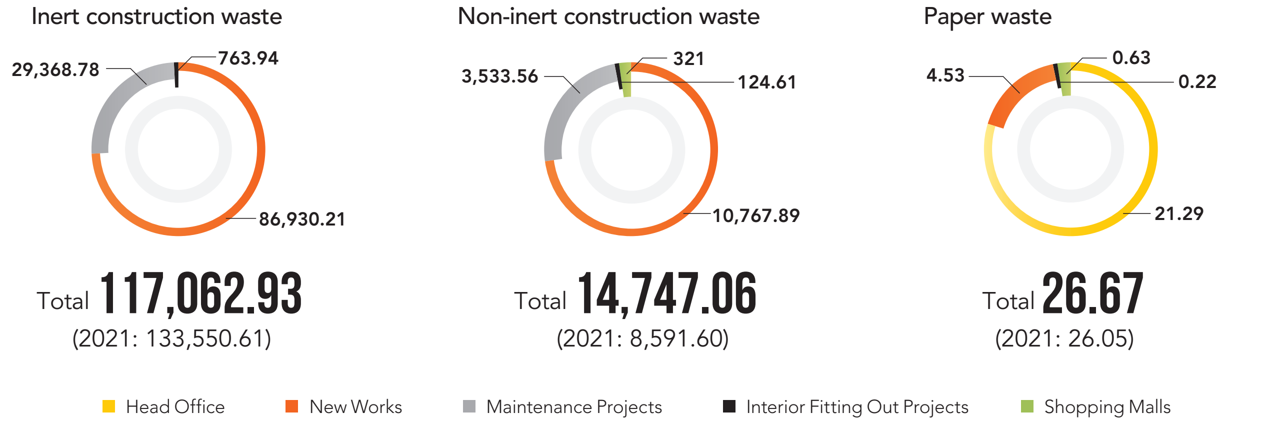
Partnering for Improved Energy Efficiency

Our property management arm partnered with CLPe, a wholly-owned subsidiary of CLP Holdings, to launch innovative service solutions for energy saving - Hong Kong's first Cooling as a Service project, which will be installed in Shui On Centre. The new cooling system will be controlled by Artificial Intelligence ("AI") and is expected to save more than 30% on electricity consumption compared to the existing seawater-cooled chiller plant. The project is expected to reduce carbon emissions by 370 tonnes a year. We believe this pioneering project will provide us with an exciting direction and energy efficiency solutions to optimise the performance of existing buildings, bringing benefits to tenants towards achieving carbon neutrality and sustainability goals.

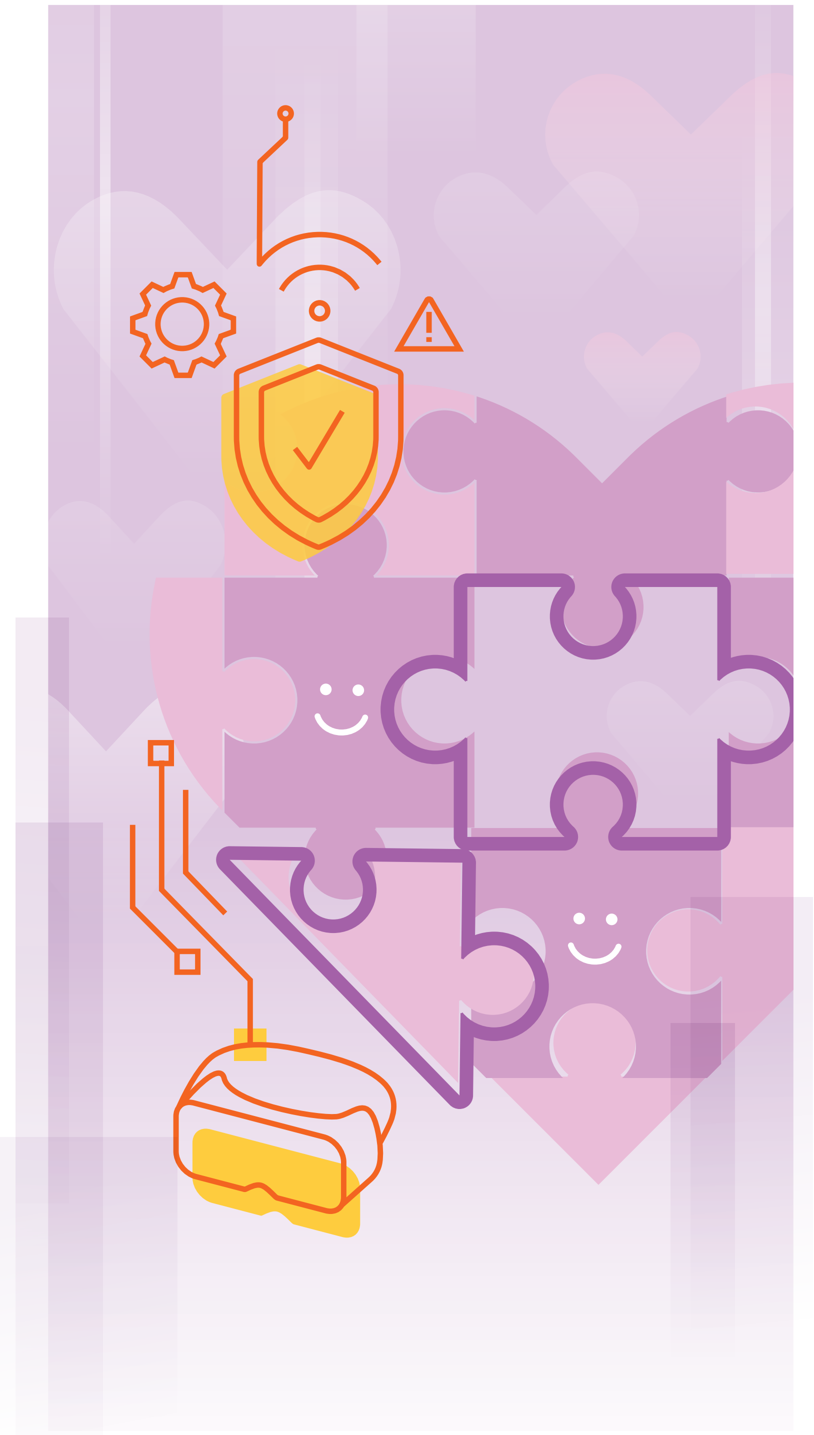
Other Energy Reduction Initiatives

In our offices and sites, we adhered to the 4-R principle, for example, we switch off unnecessary lighting, select electrical appliance with Grade 1 energy label, set room temperature to 25.5°C and reduce the use of paper. Furthermore, we improved job planning to conserve construction materials.

Non-hazardous Waste (tonnes)



BETTER COMMUNITY



Target 8.8
Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

REINFORCING SAFETY CULTURE AND MANAGEMENT SYSTEM

Caring for employees' safety has been our top priority. The Group's HSE Steering Committee oversees the key risk areas, and systematically reviews operational practices and training needs. Risk assessment and audits of operational safety are conducted in accordance with the ISO45001 Occupational Health and Safety Standard.

Our 2022 priorities are set as below:

1. Optimise the management approach further in consonance with the amended safety regulations;
2. Strengthen the dissemination of safety education in response to the increase in the number of industrial accidents which happened in Hong Kong during the year;
3. Use technology to improve safety performance

Over the past many years, SOCAM has had an outstanding record in site safety management, reporting incidents of injury significantly below industry averages. During the year, we have continued to make solid progress in reaching our safety target* by taking advantage of innovative technology, for example, using AI to detect safety risks. In 2022, we recorded an accident rate of 3.10 cases per thousand workers, the lowest record in recent years. A total of 1,989 lost days due to work injuries was reported during the year. There were 12 documented work-related injury cases, same as that in 2021. Over the last three years, there were no work-related fatalities.

More than 20 serious industrial accidents happened in Hong Kong in the first five months of 2022, of which eight resulted in fatalities. Considering this unacceptable average of one fatal industrial accident every fortnight, the Occupational Safety and Occupational Health legislation (Miscellaneous Amendments) Bill 2022 (the "Bill") was promulgated by the Hong Kong Government on 13 May 2022. The main purpose of the Bill is to reduce the number of fatal industrial accidents by increasing the penalties for lapses in management of occupational health and safety ("OHS") issues.

* Our Target :
To achieve a reduction of 35% by 2024, with a baseline of injury rate of 5.32 cases per thousand workers in 2019

Encouraging team work

Continuous Improvement on Safety

The amendments we have made to our approach provide a clear message to personnel responsible for OHS, requiring extra attention to the implementation of safety measures and prevention of accidents. The Group's safety management measures include a review existing safety policies, safety audits and constant reminders to sub-contractors and employees to remain alert towards safety risks and hazards in the workplace.

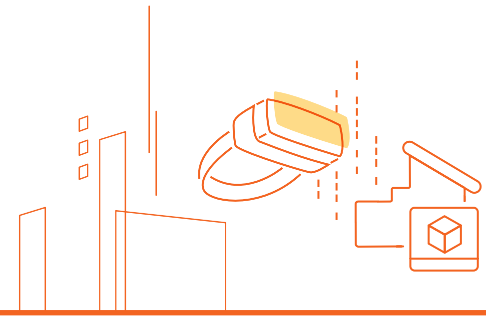
In order to further strengthen the management, it has been decided that our senior management personnel should meet contractors' managers in the event of an accident, irrespective of how small the incident is. A standard operating procedure stipulating appropriate periodic inspections is in place so that contractors remain alert and we are able to consider the number of accidents during the tendering process.

In August, SOCAM organised the annual Health, Safety and Environment seminar to disseminate the OHS and environmental indicators and activities to over 400 participants from its partner organisations, which included government departments, industry associations, and subcontractors. This event also serves as a platform for knowledge exchange, contributing to further improvement of safety-related work practices. During the seminar, our CEO led the management team to sign the "Safety Charter".

Safety workshops chaired by the Chairman of the Corporate Safety, Health and Environmental Leadership Committee were held to review serious accidents in the past and to discuss ways to avoid recurrence. Each business unit of the Company will report on issues related to work safety and data are analysed thoroughly to devise ways of improving site safety. **In 2022, we arranged safety trainings which educated a total of 144,026 people, compared to 74,257 in 2021.**

Technology to Drive Safety

Adopting sustainable technologies and digitalisation is crucial to maintain SOCAM's long-term growth, as it offers more opportunities to our talents to develop and excel with the Company and helps mitigate safety hazards at construction sites.



Application of Virtual Reality ("VR") and Augmented Reality ("AR") to Enhance Safety Training

SOCAM provides VR safety training for frontline staff and workers. The employees carry out simulated work before the VR mirror to understand the potential risks first, and simulate the scenarios of accidents. For example, the workers would first simulate a fall, and the situation would then be restructured to provide the workers with a correct work demonstration. Through this training, the safety awareness of employees can be effectively improved.

The Group adopts AR technology for safety training at construction sites. The latest revision of the "Safety Tool Box Talk Training" published by the Hong Kong Construction Association is an effective tool for safety training and can be used in conjunction with the AR function.

AR technology can combine real environment with virtual information and apply this technology to site safety training, which can enhance the interaction of training, deepen learning and raise safety awareness. The newly revised application covers over 40 safety training topics, of which more than 20 topics can be interactive in AR format. Trainers and trainees are able to conduct AR training through their mobile phones or tablets. Users can see the situation where AR images are superimposed on the real working environment, and the learning content is also equipped with a bypass to help workers absorb the key points of safety training.

The app also provides functions such as quizzes, results analysis, and record-keeping, allowing tutors to conduct site safety training in a more systematic manner, and to evaluate and follow up the learning progress of trainees effectively.

COVID-19 Measures

Helping people guard against the COVID-19 pandemic was an essential aspect of our health and safety work in 2022, particularly during the peak of the pandemic in the first two quarters of the year. SOCAM developed strict hygiene protocols for its employees at sites and offices to ensure social distancing was maintained. Our construction sites responded to the 5-day "Construction Industry COVID-19 Testing Day" organised by the Construction Industry Council ("CIC") and the Development Bureau, advocating for rapid antigen tests for workers and site personnel on site to achieve the goal of "early detection, early isolation, early treatment".

We also made arrangements for comprehensive but quick testing of all visitors to the site every day from late March onwards. Only those who tested negative are allowed to enter the site, ensuring that those who work at our sites are not exposed to the risk of infection. When a person tests positive in the rapid testing, the site's HSE personnel will help the person suspected of having been infected to follow the procedures of reporting confirmed cases.

Green engagement

CREATING SOCIAL IMPACT THROUGH PARTNERSHIPS

Giving back to the communities where we operate, and that have helped us to be successful has long been an important priority for us. We do this by leveraging our industry expertise.

Industry Partnership

On the corporate side, we are committed to collaborating with industry stakeholders to create impact and show our concern to the community. During the year, we joined the Construction Industry Sports & Volunteering Programme launched by the CIC, contributing hundreds of meal boxes, known as Lo Pan Rice, to underprivileged families. The event is an ongoing campaign aiming to relieve financial difficulties of the needy during the pandemic.

The Group donated HK$500,000 to the Construction Charity Fund for charity work and service that supports construction industry practitioners, by providing financial assistance and mental support for construction work injury cases, organising activities for construction workers and conducting promotional campaigns to raise awareness on site safety.

Youth development and empowerment

On youth development and empowerment, we are committed to nurturing the next generation of innovators and technologists. The Shui On Innovation Fund continues to collaborate with the Hong Kong University of Science and Technology's Division of Integrative Systems and Design programme, supporting over 60 students to participate in projects ranging from robotics to smart construction, to broaden their real-world perspectives in design, problem solving and technical skills. On grooming industry talents, we have collaborated with the Hong Kong Institution of Engineers and the Hong Kong Construction Association on offering scholarships for nearly a decade.

Shui On Seagull Club dedicates to serve the community

Helping the homeless and elderly at risk

Our collaboration with Project Mingde to refurbish the headquarters of Saint Barnabas' Society and Home, a local shelter for the homeless, continued in 2022. Working together with students from the University of Hong Kong's Department of Civil Engineering, our team uses its construction engineering experience to engage students to improve the living conditions of this shelter. The collaboration has the potential to make things even better for the homeless and the poor, which is subject to obtain approval from the HKSAR Government.

We understand that giving back is about more than just money. We give our time and hearts through the Shui On Seagull Club over the years to address social and community needs. During the year, we continued to collaborate with different NGOs and industry stakeholders to ramp up our volunteering activities despite having significantly impacted by the pandemic.

Target 11.1
By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

241
Volunteering Hours

220
Employees Volunteered

Annual target seminar to promote safety culture

Our Volunteering Activities in 2022:

Activities	Organisation
Charity Walk	The Hong Kong Society for The Blind
18 Districts Lo Pan Rice 2022	Hong Kong Construction Association
	CIC's Construction Industry Sports & Volunteering Programme
	Hong Kong Sheng Kung Hui Welfare Council
	Jockey Club Yung Shing Lutheran Integrated Service Centre
	Baptist Oi Kwan Social Service
Fly Summer Vacation 2022, Play Summer Activities with You	Hong Kong PHAB Association Jockey Club Shatin Integrated Service Centre for Children and Youth
Full Moon Happy Companion	Hong Kong Young Women's Christian Association
Dress Pink Day 2022	Hong Kong Cancer Fund
Online Charity Walk 2022	Wai Ji Christian Service

PERFORMANCE DATA SUMMARY

		Unit	2022	2021
Employees	**Head count at Year End**			
	Group-wide	Person	2,299	2,214
	By Gender			
	Male	Person	1,490	1,453
	Female	Person	809	761
	By Business Lines			
	Construction Division	Person	1,267	1,210
	Property Division	Person	905	851
	Others	Person	127	153
	By Employee Category			
	Senior Management	Person	125	117
	Middle Management	Person	290	289
	General Staff	Person	1,680	1,619
	Workers	Person	204	189
	By Age group			
	Under 30	Person	432	409
	31-50	Person	943	965
	51 or above	Person	924	840
	By Geographical Region			
	Hong Kong and Macau	Person	2,013	1,867
	Mainland China	Person	286	347
	Turnover rate (%)			
	Group-wide	%	11.6	13.1
	By Gender			
	Male	%	6.8	9.1
	Female	%	4.7	4.0
	By Age group			
	Under 30	%	3.8	4.2
	31-50	%	4.7	6.0
	51 or above	%	3.1	3.0
	By Geographical Region			
	Hong Kong	%	27.3	27.1
	Macau	%	0	5.2
	Mainland China	%	7.3	7.1
Training & Development	**Training Hours**			
	Group-wide (excluding HSE training)	Hour	26,234	20,961
	By Gender			
	Male	Hour	18,864	14,855
	Female	Hour	7,370	6,106
	By Employee Category			
	Senior Management	Hour	4,251	2,557
	Middle Management	Hour	5,733	4,695
	General Staff	Hour	15,031	12,224
	Workers	Hour	1,219	1,485
	Average Training Hour			
	Group-wide	Hour	11.4	9.5
	By Gender			
	Male	Hour	12.6	10.2
	Female	Hour	9.1	8.0
	By Employee Category			
	Senior Management	Hour	34.1	21.9
	Middle Management	Hour	19.8	16.2
	General Staff	Hour	8.9	7.6
	Workers	Hour	6.0	7.9

		Unit	2022	2021
	Percentage of Employees Trained			
	Group-wide	%	80.2	74.5
	By Gender			
	Male	%	80.2	74.5
	Female	%	80.1	74.5
	By Employee Category			
	Senior Management	%	92.8	93.2
	Middle Management	%	96.9	90.0
	General Staff	%	82.1	75.8
	Workers	%	32.8	26.5
Health & Safety	Lost days due to work injury	Day	1,989	2,230
	Work-related injury rate	per 1,000 workers	3.10	3.65
	Work-related injury	Number	12	12
	Work-related fatalities	Number	0	0
	Participants in safety training	Person	144,026	74,257
Environment	**Total Resource Consumption**			
	Electricity	kWh	10,400,181	12,282,215
	Petrol	Litre	169,994	147,983
	Diesel	Litre	1,622,614	839,537
	Natural gas	m^3	360,223	150,079
	Acetylene	m^3	1,599	398.7
	Heat	kWh	1,692,924	6,338,977
	Total energy consumption	kWh	33,656,897	31,785,567
	Energy intensity	kWh/million turnover	7,084.3	9,602.9
	Water	m^3	220,083	156,637
	Water intensity	m^3/million turnover	46.3	47.3
	Greenhouse Gas Emission			
	Scope I	tCO_2e	4,612.5	2,883.2
	Scope II	tCO_2e	7,480.6	11,221.2
	Scope III	tCO_2e	73,528.7	46,065.3
	Total	tCO_2e	85,621.7	60,169.7
	GHG intensity	tCO_2e/million turnover	18.02	18
	Air Emissions			
	Sulphur oxides	kg	28.6	15.7
	Non-hazardous waste			
	Inert construction waste	tonnes	117,062.93	133,550.6
	Non-inert construction waste	tonnes	14,747.06	8,591.6
	Paper waste	tonnes	26.67	26.1
	Waste intensity	tonnes/million turnover	27.75	42.9
Community	Volunteer hours (including non-staff)	Hours	241	792
	Donations	HK$	2.1 million	2 million

ESG CONTENT INDEX

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remark
Governance structure		
General disclosure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	**ESG Governance**
Reporting principles		
General disclosure	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: a) Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. b) Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. (c) Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	This report discloses the Group's ESG performance in compliance with the HKEX ESG Reporting Guide. We continue to apply the Reporting Principles of Materiality, Consistency, Quantitative and Balance in preparing our ESG report.
Reporting boundary		
General disclosure	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	**About Scope and Boundary**
A. Environmental		
Aspect A1	**Emissions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	**Better Environment**
KPI A1.1	The types of emissions and respective emissions data.	**Performance Data Summary**
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**Better Environment** **– Tackling Climate Risks** **Performance Data Summary**
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	No significant generation of hazardous waste.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**Better Environment** **– Other Energy Reduction Initiatives** **Performance Data Summary**
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	**Sustainability Strategy** **Better Environment** **– Energy Efficiency Initiatives**
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled and a description of reduction target(s) set and steps taken to achieve them.	**Sustainability Strategy** **Better Environment** **– Other Energy Reduction Initiatives**
Aspect A2	**Use of resources**	
General disclosure	Policies on efficient use of resources including energy, water and other raw materials.	**Better Environment** **– Energy Efficiency Initiatives** **Performance Data Summary**
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	**Performance Data Summary**
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	**Performance Data Summary**
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	**Better Environment** **– Energy Efficiency Initiatives**
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	We source our water from the municipal water supply, and do not encounter any issue in sourcing water that is fit for purpose.
KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	No packaging material used.
Aspect A3	**The environment and natural resources**	
General disclosure	Policies on minimising the issuers' significant impact on the environment and natural resources.	**Better Environment**
KPI A3.1	Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them.	**Better Environment**
Aspect A4	**Climate Change**	
General disclosure	Policies on identification and mitigation of significant climate–related issues which have impacted, and those which may impact, the issuer.	**Better Environment** **– Tackling Climate Risks**
KPI A4.1	Description of the significant climate–related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	**Better Environment** **– Tackling Climate Risks**
B. Social		
Aspect B1	**Employment**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti–discrimination, and other benefits and welfare.	**Better Economy**
KPI B1.1	Total workforce by gender, employment type (for example, full– or part–time), age group and geographical region.	**Better Economy–Attracting and Retaining Talents** **Performance Data Summary**
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	**Performance Data Summary**

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remark
Aspect B2	**Health and safety**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	**Sustainability Strategy** **Better Community** **– Reinforcing Safety Culture and Management System**
KPI B2.1	Number and rate of work–related fatalities occurred in each of the past three years including the reporting year.	**Better Community** **– Reinforcing Safety Culture and Management System** **Performance Data Summary**
KPI B2.2	Lost days due to work injury.	**Better Community** **– Reinforcing Safety Culture and Management System** **Performance Data Summary**
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	**Better Community** **– Reinforcing Safety Culture and Management System**
Aspect B3	**Development and training**	
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	**Better Economy** **– Attracting and Retaining Talents**
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	**Better Economy** **– Attracting and Retaining Talents** **Performance Data Summary**
KPI B3.2	The average training hours completed per employee by gender and employee category.	**Better Economy** **– Attracting and Retaining Talents** **Performance Data Summary**
Aspect B4	**Labour standards**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	We implement appropriate protocols in our recruitment process to ensure child and forced labour is absent in our operations.
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	
Aspect B5	**Supply chain management**	
General disclosure	Policies on managing environmental and social risks of the supply chain	**Sustainability Strategy** **Better Economy** **– Operational Excellence**
KPI B5.1	Number of suppliers by geographical region.	**Better Economy** **– Operational Excellence**
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	**Better Economy** **– Operational Excellence**
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	**Better Economy** **– Operational Excellence**
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	**Better Economy** **– Operational Excellence**
Aspect B6	**Product responsibility**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	**Better Economy** **– Innovation and Technology to Contribute to Social Developments**
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There were no cases of product recall during the year.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	We do not receive any cases of product or services related complaints during the year.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our construction business has limited involvement in intellectual property rights.
KPI B6.4	Description of quality assurance process and recall procedures.	**Better Economy** **– Innovation and Technology to Contribute to Social Developments**
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	**Better Economy** **– Innovation and Technology to Contribute to Social Developments**
Aspect B7	**Anti–corruption**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	**Better Economy** **– Operational Excellence**
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No concluded legal case regarding corrupt practices were recorded during the year.
KPI B7.2	Description of preventive measures and whistle–blowing procedures, and how they are implemented and monitored.	**Better Economy** **– Operational Excellence**
KPI B7.3	Description of anti–corruption training provided to directors and staff.	**Better Economy** **– Operational Excellence**
Aspect B8	**Community investment**	
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	**Better Community** **– Creating Social Impact through Partnerships**
KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).	**Better Community** **– Creating Social Impact through Partnerships**
KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	**Performance Data Summary**

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

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

Mr. Lee Chun Kong, Freddy

NON-EXECUTIVE DIRECTOR

Ms. Lo Bo Yue, Stephanie

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li Hoi Lun, Helen

Mr. Chan Kay Cheung

Mr. William Timothy Addison

EXECUTIVE DIRECTORS

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

aged 75, has been the Chairman of the Company since 1997. He is the Chairman of the Shui On Group, which he founded 52 years ago, and the Chairman of Shui On Land Limited ("SOL"), which he established in 2004 and became listed in Hong Kong in 2006. He is also a director of Shui On Company Limited ("SOCL"), the controlling shareholder of the Company, and certain subsidiaries of the Company. Mr. Lo is a Member of the Board of Directors of Boao Forum for Asia, the Honorary President of the Council for the Promotion & Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, the Honorary Life President of the Business and Professionals Federation of Hong Kong and an Honorary Court Chairman of The Hong Kong University of Science and Technology. He is currently a Non-executive Director of Great Eagle Holdings Limited, a company listed in Hong Kong. He stepped down as a Non-executive Director of Hang Seng Bank, Limited, a company listed in Hong Kong, in May 2022.

Mr. Lo was awarded the Grand Bauhinia Medal in 2017, the Gold Bauhinia Star in 1998 and appointed a Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region. He was named Businessman of the Year at the Hong Kong Business Awards in 2001 and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2004. He was honoured with "Ernst & Young China Entrepreneur Of The Year 2009" and also, as "Entrepreneur Of The Year 2009" in the China Real Estate Sector. Mr. Lo was made an Honorary Citizen of Shanghai in 1999 and Foshan in 2011. In 2012, the 4th World Chinese Economic Forum honoured Mr. Lo with the Lifetime Achievement Award for Leadership in Property Sector. In 2022, Mr. Lo was named "Life Trustee" by the Urban Land Institute.

Mr. Lee Chun Kong, Freddy

aged 61, re-joined the Shui On Group in May 2019 as the Deputy Chief Executive Officer of the Company and has been an Executive Director and the Chief Executive Officer of the Company since October 2019. Mr. Lee is also a director of certain subsidiaries of the Company. He joined the Shui On Group in 1986 and has nearly 18 years of experience in construction management in Hong Kong and 21 years of experience in property development in Mainland China. Mr. Lee was appointed as an Executive Director and a Managing Director of SOL, a company listed in Hong Kong, in June 2010 and was the Chief Executive Officer of SOL from March 2011 to January 2014. He left the Shui On Group in July 2014. Prior to joining the Company, he was the Senior Managing Director – Projects of the Chongbang Group, a real estate investment and development group in Shanghai. Mr. Lee holds a Master's degree in Construction Management from the City University of Hong Kong and a Bachelor's degree in Quantity Surveying from Reading University, England. He is a Member of the Royal Institution of Chartered Surveyors in the United Kingdom and a Member of the Hong Kong Institute of Surveyors. He currently serves as a director of Project Mingde Foundation.

NON-EXECUTIVE DIRECTOR

Ms. Lo Bo Yue, Stephanie

aged 40, has been a Non-executive Director of the Company since January 2019 and was re-appointed to the office upon expiration of her service contract on 31 December 2022, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with its Bye-laws and other applicable laws, rules and regulations. Ms. Lo is currently an Executive Director of SOL, a company listed in Hong Kong. She is also the Vice Chairman and Executive Director of Shui On Xintiandi Limited, a wholly-owned subsidiary of SOL. She joined the

Shui On Group in August 2012 and has over 19 years of working experience in property development industry in Mainland China, architecture and interior design as well as other art enterprises. Prior to joining the Shui On Group, Ms. Lo worked for various architecture and design firms in New York City, amongst which was Studio Sofield, a firm well-known for its capabilities in retail design. She holds a Bachelor of Arts degree in Architecture from Wellesley College in Massachusetts. She currently serves as a Member of the Fourteenth Shanghai Committee of the Chinese People's Political Consultative Conference. She has been selected as a Young Global Leader of the World Economic Forum in 2020. Ms. Lo is the daughter of Mr. Lo Hong Sui, Vincent, being the Chairman of the Company, the elder sister of Mr. Lo Adrian Jonathan Chun Sing, being a member of the senior management of the Company, and a director of SOCL, the controlling shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li Hoi Lun, Helen

aged 67, has been an Independent Non-executive Director of the Company since August 2008 and was re-appointed to the office for a term of two years upon expiration of her service contract on 27 August 2021, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with its Bye-laws and other applicable laws, rules and regulations. She is a qualified lawyer in the jurisdictions of Hong Kong, England and Wales and New South Wales, Australia. She studied law in England and commenced practising law in Hong Kong in 1982. Ms. Li worked in private practice, with emphasis on property, commercial and corporate work with a China focus. Prior to joining the Company, she was employed as an in-house legal counsel for the companies, and an Executive Director of the property arm, of the Shui On Group and took early retirement in 2005.

Mr. Chan Kay Cheung

aged 76, has been an Independent Non-executive Director of the Company since January 2010 and was re-appointed to the office for a term of two years upon expiration of his service contract on 31 December 2021, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with its Bye-laws and other applicable laws, rules and regulations. Mr. Chan possesses extensive knowledge and experience in the banking industry. He was an Executive Director and Deputy Chief Executive of The Bank of East Asia, Limited and the Vice Chairman of The Bank of East Asia (China) Limited. Mr. Chan is a Fellow of The Hong Kong Institute of Bankers. He is currently an Independent Non-executive Director of China Electronics Huada Technology Company Limited and Chu Kong Shipping Enterprises (Group) Company Limited, both of which are listed in Hong Kong. Mr. Chan was an Independent Non-executive Director of Dah Chong Hong Holdings Limited prior to its privatisation in Hong Kong in January 2020. He was also an Independent Non-executive Director of Hong Kong Food Investment Holdings Limited, a company listed in Hong Kong, until August 2020.

Mr. William Timothy Addison

aged 70, has been an Independent Non-executive Director of the Company since May 2016 and was re-appointed to the office upon expiration of his service contract on 24 May 2022, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with its Bye-laws and other applicable laws, rules and regulations. Mr. Addison is currently the Chairman and Chief Executive Officer of Theron Capital International Limited, a company that provides strategic advisory services for China businesses. He is a former investment banker with more than 30 years of investment banking and global capital and debt market experience. He worked previously at The Hongkong and Shanghai Banking Corporation Limited ("HSBC") for over 21 years. He was a director of HSBC Corporate Finance Limited from 1992 until he left HSBC in 2002, at which time he held the position of Chief Operating Officer, Corporate Finance of HSBC Markets (Asia) Limited. Between 2005 and 2008, Mr. Addison served as a Managing Director and the Chief Financial Officer of SOL.

SENIOR MANAGEMENT

Mr. Ko Siu Pang, Raymond

aged 61, is an Executive Director of Shui On Building Contractors Limited and Shui On Construction Company Limited. He also holds directorships in certain other subsidiaries of the Company. Mr. Ko joined the Shui On Group in 1987 and has over 38 years of experience in construction. He holds a Master of Science degree in Project Management from the University of South Australia. He is a Member of The Hong Kong Institution of Engineers and a Council Member of The Hong Kong Construction Association, Limited.

Mr. Fong Sze Hoi, Kevin

aged 46, is the Director and General Manager of Pacific Extend Limited and also a director of certain other subsidiaries of the Company. Mr. Fong worked in the Shui On Group between 2003 and 2008 and re-joined the Group in 2009. He has over 20 years of experience in building maintenance, construction and management. Mr. Fong obtained two Bachelor's degrees in Architecture and Design Studies from the University of Adelaide, South Australia and an Executive Diploma in Advanced Business Management from the Chinese University of Hong Kong. He is a Member of the Royal Institution of Chartered Surveyors in the United Kingdom and a Member of the Hong Kong Institute of Facility Management.

Mr. Ng Yat Hon, Gilbert

aged 62, is an Executive Director of Pat Davie Limited, specialising in interior fitting out and renovation in Hong Kong and Macau. He also holds directorships in certain other subsidiaries of the Company. Mr. Ng joined the Shui On Group in 1996 and has over 40 years of experience in construction. He holds a Bachelor's degree in Civil Engineering from The University of Manchester and a Master's degree in Project Management from The University of New South Wales. He is a chartered civil engineer.

Mr. Lee Kevin

aged 38, joined the Company in November 2021 as the Head of Smart Facilities Management. He is also a director of certain subsidiaries of the Company. Before joining the Company, Mr. Lee pursued a career in investing at Morgan Stanley for over 13 years. Prior to Morgan Stanley, Mr. Lee was a business analyst at McKinsey & Company. He holds Bachelor of Arts degrees in Economics and Statistics from the University of Chicago.

Mr. Lo Adrian Jonathan Chun Sing

aged 34, is the Director – Corporate Development and also a director of certain subsidiaries of the Company. Mr. Lo joined the Company in October 2018 as Executive Assistant to the Chief Executive Officer and was the Head of Corporate Development before he took up the current position in January 2022. Prior to joining the Company, Mr. Lo founded and operated his own restaurant and catering business for five years. Before running his own business, he was a management trainee at Maxims Restaurant Group for two years. He holds a Bachelor of Arts degree in East Asian Studies with a focus in political science from Trinity College, Hartford, CT. Mr. Lo is the son of Mr. Lo Hong Sui, Vincent, the Chairman of the Company, and the younger brother of Ms. Lo Bo Yue, Stephanie, a Non-executive Director of the Company.

Mr. Lam Kwok Kong, Wilson

aged 52, is the Director – Corporate Finance and also a director of certain subsidiaries of the Company. Mr. Lam joined the Company in 2006 and was the General Manager – Finance and Accounts before he took up the current position in January 2019. Prior to joining the Company, Mr. Lam worked in KPMG and has accumulated more than 10 years of accounting, auditing and financial management experience. He holds a Bachelor of Arts degree in Accountancy from the City University of Hong Kong. He is an Associate of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

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

Throughout the year ended 31 December 2022, the Company complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for certain deviations as specified with considered reasons in the sections headed "Board Committees" below.

Corporate Culture and Strategy

The Company instils a corporate culture across the Group based on adherence to a comprehensive set of corporate governance principles and its commitment to integrity, quality, innovation and excellence. The Board plays a leading role in defining the purpose, vision and values of the Group, setting strategy for sustainability and continuous development of the Group, and in fostering the desired culture in alignment therewith that is reflected consistently in the operating practices of the Group, workplace policies and practices as well as relations with stakeholders.

The Group's Purpose	Vision	Values
To achieve sustained profitability to provide an attractive return to shareholders and to finance growth of the Group	To build a better tomorrow for stakeholders: • Customers To be the top choice contractor/ service provider • Shareholders To create value and return • Employees To be the top choice employer • Society To contribute to economy, environment and community	Shui On Spirit to quest for perfection, characterised by: • Integrity • Ownership • Community • Learning • Enjoyment of work

At the centre of the Company's culture is a determination to improve and innovate, and to conduct business and staff relationships in a spirit of integrity and fair play. Our staff handbook, as supplemented by new employee orientation and staff training programmes, illustrates the cornerstone and pillars of the corporate culture and provide guidance for working at the organisation.

In 2020, the Company embarked on its sustainable development strategy "Better Tomorrow 2021 – 2030" with a mission to become a sustainable and resilient business through continuous innovation, talent development and adoption of sustainable practices in business operations. Further details about the strategy are set out in the Environmental, Social and Governance Report contained in this Annual Report. In addition, in 2022, a 10-year vision plan was formulated and adopted by the Board, setting the blueprint of the Group's future development and initiatives for fulfilling its vision next ten years. To tie in with the vision plan, each business division has set its 3-year business plan 2023-2025, which was considered and approved by the Board in principle. The divisions will continuously review their business strategies in light of the prevailing market conditions and provide regular reports to the Board on the implementation progress of their respective business plans.

The Board

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

The Board is responsible for all major aspects of the Group's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, internal control and risk management systems, material transactions (including, in particular, those which may involve conflicts of interest), major capital expenditure, appointment of Directors and Board Committee members, and other significant financial and operational matters. The Board also plays a central support and supervisory role in the Company's corporate governance duties to ensure the Company maintains a sound governance framework for long-term sustainable shareholders' value.

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

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

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

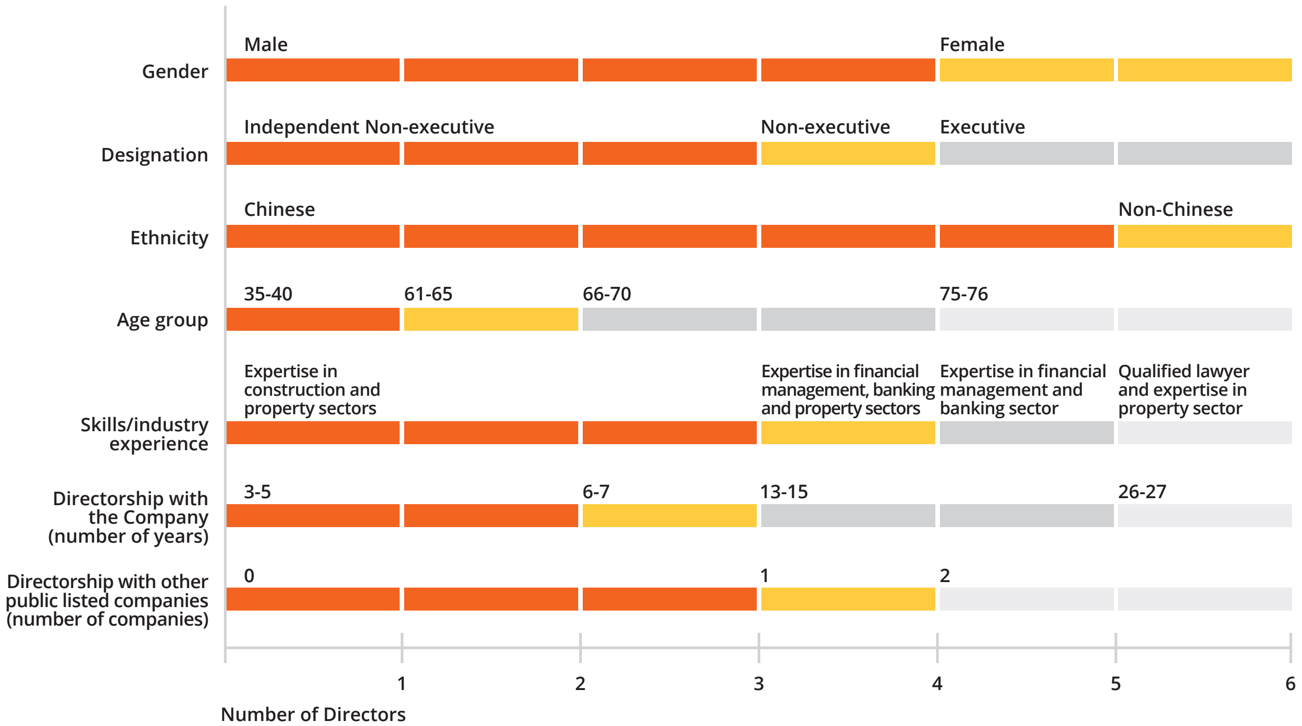
Composition

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

Executive Directors:
Mr. Lo Hong Sui, Vincent *(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

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

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



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

The Board has established mechanisms to ensure independent views are available to the Board, which are reviewed annually to ensure their effectiveness. A summary of such mechanisms is set out below:

(i) Composition

The Board ensures the appointment of at least three Independent Non-executive Directors and at least one-third of its members being Independent Non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, Independent Non-executive Directors will be appointed to Board Committees (other than those as required under the Listing Rules) as far as practicable to ensure independent views are available.

(ii) Independence assessment

The Nomination Committee strictly adheres to the Nomination Policy with regard to the nomination and appointment of Independent Non-executive Directors, and is mandated to assess annually the independence of Independent Non-executive Directors to ensure that they can continually exercise independent judgement.

(iii) Compensation

No equity-based remuneration with performance-related elements will be granted to Independent Non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

(iv) Board decision making

Directors (including Independent Non-executive Directors) are entitled to seek further information from management on the matters to be discussed at Board meetings and, where necessary, independent advice from external professional advisers at the Company's expense.

A Director (including Independent Non-executive Director) who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

Throughout the year ended 31 December 2022 and up to the date of this report, the Board has met the requirements of the Listing Rules relating to the appointment of Independent Non-executive Directors as mentioned in item (i) above. The Company has received written annual confirmation from each Independent Non-executive Director of his/her independence and considers all of them to be independent of management and free of any relationship that could materially interfere with the exercise of their judgment.

Chairman and Chief Executive Officer

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

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

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

Appointment, re-election and removal of Directors

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

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In 2013, the Board adopted a Board Diversity Policy upon the recommendation of the Nomination Committee to set out the approach to achieve diversity of the Board. A summary of the Board Diversity Policy is provided in the Nomination Committee Report contained in this Annual Report. The implementation of the Board Diversity Policy is annually reviewed by the Nomination Committee to ensure that the Board composition reflects an appropriate mix of skills, experience and diversity that is relevant to the Company's business and strategy and contribute to the effectiveness and efficiency of the Board.

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

In accordance with the Bye-laws of the Company, all Directors appointed by the Board in the case of filling a casual vacancy shall hold office only until the next general meeting of the Company, while those appointed as an addition to the Board shall hold office until the next annual general meeting of the Company. Besides, every Director shall be subject to retirement by rotation at the annual general meeting of the Company at least once every three years. All retiring Directors shall be eligible for re-election by shareholders at the general meetings of the Company.

In accordance with the Bye-laws of the Company, Mr. Lo Hong Sui, Vincent and Ms. Li Hoi Lun, Helen shall retire at the forthcoming annual general meeting of the Company to be held on 31 May 2023. Both Directors, being eligible, will offer themselves for re-election at the annual general meeting.

Board Committees

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

Each of these Committees has been established with written terms of reference, which were approved by the Board, setting out the Committee's major duties. The terms of reference of the Committees are reviewed by the Board from time to time to cope with any regulatory changes and the needs of the Company. During 2022, the terms of reference of the Audit Committee and the Remuneration Committee were revised in light of certain amendments to the CG Code. The updated terms of reference of the various Committees are available on the websites of the Company and the Stock Exchange.

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

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

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

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

	Major roles and functions	Composition	Frequency of meetings
Audit Committee	• To review the consolidated financial statements of the Group • To review the accounting policies adopted by the Group and their implementation • To review the effectiveness of the risk management and internal control systems • To review management's assessment of the risks facing the Group, including, amongst others, the environmental, social and governance ("ESG") and corruption risks • To monitor and oversee compliance with the Group's anti-corruption policy • To oversee the engagement of, services provided by and remuneration of the external auditor and its independence • To review and monitor the effectiveness of the internal audit function	**Independent Non-executive Directors** Mr. Chan Kay Cheung *(Chairman)* Ms. Li Hoi Lun, Helen Mr. William Timothy Addison	At least four times a year
Remuneration Committee	• To make recommendations to the Board on the policy and structure for remuneration of Directors and senior management • To determine the remuneration package of individual Executive Director • To review and approve performance-based remuneration of Executive Directors with reference to the corporate goals and objectives • To review and approve matters relating to share schemes under Chapter 17 of the Listing Rules	**Independent Non-executive Directors** Ms. Li Hoi Lun, Helen *(Chairman)* Mr. Chan Kay Cheung Mr. William Timothy Addison **Executive Director** Mr. Lo Hong Sui, Vincent **Non-executive Director** Ms. Lo Bo Yue, Stephanie	At least twice a year
Nomination Committee	• To review the structure, size and composition of the Board at least annually • To make recommendations to the Board on candidates nominated for appointment or re-appointment as Directors in accordance with the Nomination Policy and on succession planning for Directors • To make recommendations to the Board on membership of the Board Committees • To assess the independence of Independent Non-executive Directors • To review annually the time commitment required of Directors • To review the Board Diversity Policy and monitor its implementation	**Executive Director** Mr. Lo Hong Sui, Vincent *(Chairman)* **Non-executive Director** Ms. Lo Bo Yue, Stephanie **Independent Non-executive Directors** Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung Mr. William Timothy Addison	At least once a year

	Major roles and functions	Composition	Frequency of meetings
Finance Committee	• To set overall financial objectives and strategies for the Group • To adopt a set of financial policies for the Group and oversee its consistent application throughout the Group • To review funding for investment projects/major capital expenditure to be undertaken and advise on the financing viability of the investment projects/major capital expenditure • To monitor cash flow and review financing requirements of the Group and compliance of bank loan and bond covenants	**Executive Director** Mr. Lee Chun Kong, Freddy *(Chairman)* **Independent Non-executive Directors** Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung Mr. William Timothy Addison	At least four times a year
Investment Committee	• To review investment and disposal recommendations on target property projects and projects currently owned by the Group respectively • To make recommendation to the Board as to whether the Group should acquire a property project or, as the case may be, dispose of a property project and if so, the terms, timing and strategy • To review the overall investment/ divestment strategy of the Group, make recommendation to the Board on any proposed change to the strategy, and monitor its implementation	**Executive Director** Mr. Lee Chun Kong, Freddy *(Chairman)* **Independent Non-executive Directors** Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung Mr. William Timothy Addison	On an as needed basis
Executive Committee	• To monitor the macro business environment and market trends with respect to the current and potential business areas of the Group • To evaluate and set business strategies for ensuring the long-term growth and competitiveness of the core businesses of the Group • To formulate corporate goals and plans and allocate human and financial resources for their execution • To monitor the execution of approved strategies and business plans • To review and approve acquisitions and disposals of assets in the ordinary course of business with investment costs/ net book values not exceeding certain thresholds • To review the operating performance and financial position of the Company and its strategic business units on a monthly basis	**Executive Directors** Mr. Lee Chun Kong, Freddy *(Chairman)* Mr. Lo Hong Sui, Vincent **Other key executives** including heads of various business units, the corporate development and finance & accounting functions	Monthly

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

Board and Board Committee meetings

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

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

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

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

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

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

Access to information

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

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

Directors' commitment

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

The individual attendance records of each Director at the Board and Committee meetings as well as the general meetings of the Company held in 2022 are set out below:

	Number of meetings attended/entitled to attend							
Name of Director	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meeting	Finance Committee meetings	Executive Committee meetings	Special general meeting	Annual general meeting
Mr. Lo Hong Sui, Vincent	4/4	N/A	2/2	1/1	N/A	4/12	1/1	1/1
Mr. Lee Chun Kong, Freddy	4/4	N/A (Note)	N/A	N/A	4/4	12/12	1/1	1/1
Ms. Lo Bo Yue, Stephanie	4/4	N/A	2/2	1/1	N/A	N/A	0/1	0/1
Ms. Li Hoi Lun, Helen	4/4	4/4	2/2	1/1	4/4	N/A	1/1	1/1
Mr. Chan Kay Cheung	4/4	4/4	2/2	1/1	4/4	N/A	1/1	1/1
Mr. William Timothy Addison	4/4	3/4	2/2	1/1	3/4	N/A	0/1	0/1

Note: By invitation, Mr. Lee Chun Kong, Freddy, being the Chief Executive Officer of the Company, attended all meetings of the Audit Committee held in 2022.

Induction, training and continuous professional development

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

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

During 2022, in addition to attending management briefings and reviewing papers in relation to the Group's businesses and strategies, the Directors participated in the following training activities arranged by the Company:

	Reading materials		Attending webinars/seminar	
Name of Director	Regulatory updates and financial reporting	Anti-corruption/ directors' ethical roles	ESG practices	Anti-corruption/ directors' ethical roles
Mr. Lo Hong Sui, Vincent	✓			✓
Mr. Lee Chun Kong, Freddy	✓		✓	✓
Ms. Lo Bo Yue, Stephanie	✓	✓		
Ms. Li Hoi Lun, Helen	✓		✓	✓
Mr. Chan Kay Cheung	✓	✓		
Mr. William Timothy Addison	✓	✓		

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

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

Directors' insurance

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

The Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

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

Responsibilities in respect of Financial Statements

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

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

Annual report and financial statements

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

Accounting policies

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

Accounting records

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

Safeguarding assets

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

Going concern

After making appropriate enquiries and examining major areas which could give rise to significant financial exposures, the Board is satisfied that no material or significant exposures exist, other than as reflected in this Annual Report. The Board therefore has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

External Auditor's Remuneration

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

For the year ended 31 December 2022, the remuneration paid/payable to the external auditor of the Company in respect of audit services and non-audit services amounted to approximately HK$4.38 million and HK$1.41 million respectively. The fees for provision of the non-audit services by the external auditor are set out as follows:

Non-audit services	Fees (HK$'000)
Review of the interim report for the six months ended 30 June 2022	1,250
Report on the continuing connected transactions for the year ended 31 December 2022	60
Agreed-upon procedures in relation to the preliminary results announcement for the year ended 31 December 2022	55
Agreed-upon procedures in relation to the Shui On Provident and Retirement Scheme for the year ended 31 August 2022	45

Risk Management and Internal Control Systems

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

The Board has entrusted the Audit Committee with the responsibility to review the risk management and internal control systems of the Group, which include financial, operational and compliance controls. A risk management system is in place to ensure the regular identification, assessment and management of the risks faced by the Group. Procedures have been set up for, inter alia, safeguarding assets against unauthorised use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications. Management throughout the Group maintains and monitors the risk management and internal control systems on an ongoing basis.

The Board has conducted a review of the Group's risk management and internal control systems for the year ended 31 December 2022, including financial, operational and compliance controls, and assessed the effectiveness of such systems by considering the work performed by the Audit Committee, executive management, external and internal auditors. The Board was satisfied that the systems are effective and adequate for their purposes.

Internal audit

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

The senior executive in charge of CE attends all Audit Committee meetings to explain the internal audit findings and respond to queries from members. Four meetings were held by the Audit Committee in 2022 and details of the major areas reviewed are set out in the Audit Committee Report contained in this Annual Report. The Audit Committee regularly reviews the risk-based audit plan and progress as well as key performance indicators relating to the work of CE and considers its view on the latest specific risk assessments of the Group.

Risk management and internal control

The Group has diverse business activities for which a high level of autonomy in operational matters has been vested in divisional managers who are also responsible for the development of their divisions. In the circumstance, well-designed systems of risk management and internal controls are necessary to help the Group achieve its long-term objectives. The systems and policies of the Group are designed to minimise internal control risks and manage business risks, protect the assets of the Group from loss or impairment, accurately report the performance of the Group and its financial position, and ensure compliance of relevant legislation, rules and regulations. This includes taking into consideration social, environmental and ethical matters. The systems, which are annually reviewed by the Board to ensure their effectiveness, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A Risk Management Policy has been put in place to ensure the regular identification, assessment and management of the risks faced by the Group. The Chief Executive Officer, as Chief Risk Officer, takes the lead in the effective implementation of the Risk Management Policy by all business and functional units. Risk assessment and prioritisation are an integral part of the annual planning process. Each business/functional unit is to set its strategic objectives, identify specific risks and assess the effectiveness of its risk management actions and internal control measures to help ensure that the risks it faces are addressed by the controls that have been or will be implemented. Adequacy and effectiveness of the risk management and internal control systems of the Group were confirmed by management in written form and independently appraised by CE with the result submitted to the Audit Committee and the Board. Adequate in-house and external trainings are arranged for management staff to ensure proper appreciation and implementation of risk management system. During the year ended 31 December 2022, CE carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group through, among others, observation in a discussion session of the Management Committee and examination of risk-related documentation as well as internal control self-assessment questionnaires developed with reference to the latest framework of The Committee of Sponsoring Organisations of the Treadway Commission. Further details about the Group's risk management framework and process are set out in the Risk Management Report contained in this Annual Report.

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

Business ethics and whistle-blowing policies

The Group is firmly committed to the principles of fair play, honesty and integrity, all constituting its important business assets. To protect the Group against fraud, faithlessness or corruption cases, all employees are required to uphold the standards of professionalism and business ethics as set out in the Company's Business Ethics Policy Statement and act in accordance with the Group's Code of Conduct on Business Ethics. To ensure employees fully understand the Business Ethics Policy and the Code of Conduct, all new employees are required to attend a business ethics seminar organised by the Human Resources Department once onboard. In addition, integrity and ethics training is provided regularly to employees to keep them abreast of the latest best practices.

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

Shareholder and Investor Relations

The Board places considerable importance on communication with shareholders and recognises the significance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the most informed investment decisions. To ensure effective ongoing dialogue with shareholders, a Shareholders' Communication Policy was adopted by the Board in 2012 and refined in 2022. The updated Policy is available on the Company's website and is annually reviewed to ensure its effectiveness.

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars published in accordance with the Listing Rules. Such published documents, together with the latest corporate information and news, are also available on the Company's website. Besides, information requests/ enquiries from shareholders (through the channels as set out in the section below) are welcomed and will be timely responded as appropriate.

The annual general meetings and other general meetings of the Company provides a valuable forum for the Board to communicate directly with shareholders. The Chairman of the Board or, in his absence, the Chief Executive Officer chairs the general meetings to answer any questions from shareholders. In addition, the chairpersons of the various Board Committees, or in their absence, other members of the relevant Committees and the Company's external auditor or relevant professional advisers are available to answer questions at the meetings. An open session is always arranged after the conclusion of the general meetings to provide a face-to-face opportunity for shareholders to express their views and for the Company to solicit and get feedback from shareholders.

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

Having considered the multiple channels of communication and engagement in place, the Board is satisfied that the Shareholders' Communication Policy has been properly implemented and is effective.

Systems are in place for the protection and proper disclosure of information that has not already been made public. For further enhancement in this respect, the Company's Disclosure Policy was adopted by the Board in 2012, and updated in 2017, to set out the Company's approach towards the determination and dissemination of inside information and the circumstances under which the confidentiality of information shall be maintained. The Directors adhere strictly to the statutory requirement for their responsibilities of keeping information confidential.

Shareholders' Rights

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

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

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

Constitutional Documents

No changes have been made to the Memorandum of Association and Bye-laws of the Company in 2022. The latest version of the Company's Memorandum of Association and Bye-laws is available on the websites of the Company and the Stock Exchange.

Corporate Governance Enhancement

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

On behalf of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 24 March 2023

AUDIT COMMITTEE REPORT

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

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

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

Role and Duties

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

Summary of Work Done

The Audit Committee held four meetings in 2022. Members' attendance records at the Committee meetings are set out in the Corporate Governance Report contained in this Annual Report.

During 2022, the Audit Committee:

- reviewed and discussed with management and external auditor the audited consolidated financial statements of the Group for the year ended 31 December 2021 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related final results announcement, with a recommendation to the Board for approval after due consideration given to the matters raised by staff responsible for the accounting and financial reporting, compliance and internal audit functions;
- reviewed the disclosures in the Corporate Governance Report, the Audit Committee Report, the Risk Management Report and the Environmental, Social and Governance ("ESG") Report included in the 2021 Annual Report of the Company, with a recommendation to the Board for approval;
- reviewed and discussed with management and external auditor the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related interim results announcement, with a recommendation to the Board for approval;
- reviewed and considered the reports and management letters submitted by the external auditor, which summarised matters arising from its audit of the Group's consolidated financial statements for the year ended 31 December 2021 and its review of the Group's condensed consolidated financial statements for the six months ended 30 June 2022;
- reviewed and considered the reports of the Company's Corporate Evaluation Department ("CE", which undertakes the internal audit function) on the business risks of some property projects in Mainland China and the operational and/or financial controls of some construction projects in Hong Kong;
- reviewed and considered the report of CE on the risk review of the Group's maintenance and smart facilities management businesses;
- reviewed and considered the report of CE on the cyber security risks pertaining to the Group;
- reviewed and considered the report of CE on the test check of special control points responded by management in the self-assessment questionnaire for the review of the Group's internal control systems;
- reviewed the report of the Company's Sustainability Steering Committee on the implementation of the sustainability strategic plan of the Group;
- considered and endorsed the proposed amendments to the terms of reference of the Audit Committee in light of the changes of the Corporate Governance Code as set out in the Listing Rules, with a recommendation to the Board for approval;
- conducted an annual review of the Company's Risk Management Policy, Whistle-blowing Policy and Policy on Engaging Non-audit Services from External Auditor;
- considered and endorsed the proposed amendments to the Company Policy on Connected Transactions, with a recommendation to the Board for approval;
- reviewed and approved the updated Business Ethics Policy Statement and Code of Conduct on Business Ethics for Employees;
- reviewed the quarterly updates of CE on the risk situation of the Group;
- reviewed the quarterly reports of CE on connected transactions, including the compliance of the Company Policy on Connected Transactions;
- reviewed and considered the adequacy of the Group's provisions for doubtful debts on a quarterly basis;
- reviewed and considered the scope of work and fee proposals of the external auditor for the review of the Group's condensed consolidated financial statements for the six months ended 30 June 2022 and for the audit of the Group's consolidated financial statements for the year ended 31 December 2022;
- reviewed the key performance indicators and annual work programme of CE as well as its work progress, staffing and resources planning; and
- conducted a review of the effectiveness of the risk management and internal control systems of the Group at the year-end, which covered material risks relating to, amongst others, ESG and corruption, and all material controls in financial, operational and compliance areas and included a review of the adequacy of resources, staff qualifications and experience, and training programmes and budgets of the Group's accounting, financial reporting and internal audit functions, as well as those relating to the Group's ESG performance and reporting.

The Committee members also serve as the contact persons under the Whistle-blowing Policy of the Company. No complaint was received in 2022 through this channel.

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

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

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

Subsequent to the financial year end, the Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2022, including the accounting principles and practices adopted by the Group, in conjunction with the external auditor, with a recommendation to the Board for approval.

The Committee was satisfied with the external auditor's work, its independence and objectivity, and therefore recommended the re-appointment of Deloitte Touche Tohmatsu as the Company's external auditor for 2023 for shareholders' approval at the forthcoming annual general meeting of the Company.

Chan Kay Cheung
Chairman, Audit Committee

Hong Kong, 24 March 2023

REMUNERATION COMMITTEE REPORT

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

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

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

Role and Duties

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

The Remuneration Committee is given the tasks to:

- make recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- determine, with delegated responsibility, the remuneration package of individual Executive Director, which include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of office or appointment), taking into account factors such as salaries paid by comparable companies, time commitment and responsibilities of the Director, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
- review and approve performance-based remuneration of Executive Directors with reference to corporate goals and objectives set by the Board from time to time;
- review and approve the compensation payable to Executive Directors for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and
- review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

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

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

Remuneration Policy

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

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

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

- the balance between short-term and long-term elements of remuneration is important and should be retained;
- salary levels will continue to be reviewed regularly against those in companies of a similar size or nature listed on the Stock Exchange; and
- emphasis will be given to corporate performance, taking into account the responsibilities of individual Executive Director, who will be rewarded by bonus payable for achievement of stretch targets and the grant of share options or other incentives, where appropriate.

Remuneration Structure

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

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

Cash remuneration components	Proportion
Salary and other benefits	Half
Bonus for achievement of targets (based 100% on corporate performance)	Half

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

Further details about the remuneration of the Directors and senior management of the Company are set out in the sections below.

Remuneration of Directors

The remuneration paid to the Directors of the Company for the year ended 31 December 2022 was as follows:

	Director's fees (Note 1) HK$'000	Salary and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	For the year ended 31 December 2022 Total HK$'000
Executive Directors				
Mr. Lo Hong Sui, Vincent	10	–	–	10
Mr. Lee Chun Kong, Freddy	10	11,517 (Note 2)	266	11,793
Non-executive Director				
Ms. Lo Bo Yue, Stephanie	315	–	–	315
Independent Non-executive Directors				
Ms. Li Hoi Lun, Helen	550	–	–	550
Mr. Chan Kay Cheung	595	–	–	595
Mr. William Timothy Addison	520	–	–	520
TOTAL	2,000	11,517	266	13,783

Notes:

1. According to the fee schedule as approved by the Board for the year ended 31 December 2022, each Executive Director was entitled to an annual fee of HK$10,000 while a Non-executive Director or an Independent Non-executive Director was entitled to an annual fee of HK$250,000. In addition, a Non-executive Director or an Independent Non-executive Director also received an annual fee for his chairmanship or membership in the following Board Committees:

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

No adjustment to the fee schedule was decided for the year ending 31 December 2023 following annual review by the Board.

2. The amount comprises (i) the salary and other benefits of Mr. Freddy Lee totaling HK$5,846,020 for his employment as Executive Director and Chief Executive Officer for the year ended 31 December 2022; and (ii) the bonus of HK$5,671,200 awarded to Mr. Freddy Lee for the achievement of the performance targets of the Group set for 2021. No adjustment to the annual salary of Mr. Freddy Lee was decided upon annual review by the Remuneration Committee.

Remuneration of Senior Management

The remuneration paid to the members of senior management for the year ended 31 December 2022 was within the following bands:

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

* refer to the members of senior management serving the Group in 2022 as set out in the Company's 2021 Annual Report

\# 1 of whom retired in July 2022

Service Contracts

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

Summary of Work Done

The Remuneration Committee held two meetings in 2022. Members' attendance records at the Committee meetings are set out in the Corporate Governance Report contained in this Annual Report.

During 2022, the Remuneration Committee:

- considered and determined the amount of bonus awarded to the Executive Director and Chief Executive Officer, Mr. Freddy Lee, based on corporate performance for the year ended 31 December 2021;
- reviewed and endorsed the Remuneration Committee Report included in the 2021 Annual Report of the Company, with a recommendation to the Board for approval;
- considered and approved the 2022 key performance indicators set for the Executive Director and Chief Executive Officer, based on the Balanced Scorecard framework;
- considered and approved the recommendation of no salary increment for 2023 for the Executive Director and Chief Executive Officer, taking into account the report of an external consultant on the analysis of executive remuneration in comparable Hong Kong listed companies, and reviewed the 2023 salary review guidelines for the Group as a whole;
- considered and discussed the framework of a share award scheme proposed to be set up by the Company; and
- considered and endorsed the proposed amendments to the terms of reference of the Remuneration Committee in light of the changes of the CG Code as set out in the Listing Rules, with a recommendation to the Board for approval.

Li Hoi Lun, Helen
Chairman, Remuneration Committee

Hong Kong, 24 March 2023

NOMINATION COMMITTEE REPORT

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

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

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

Role and Duties

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

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

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

Board Diversity Policy

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

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

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

At its meeting in March 2023, the Nomination Committee performed an annual review of the Board composition against the objective criteria for diversity according to the Board Diversity Policy. An analysis of the existing Board composition is set out in the Corporate Governance Report contained in this Annual Report. The Committee considers that the Board now has an appropriate mix of skills, experience and diversity among its members in light of the business needs of the Group, but appointment of an additional Independent Non-executive Director was suggested. For additional appointments to the Board, the Committee opines that professional experience, skills, knowledge and educational background are important elements that should be taken into account in view of the prevailing business strategy of the Group, while it is not appropriate to set specific requirements for such criteria as gender, age and ethnicity although due consideration should also be given to these criteria for the benefits of diversity. The Company currently has two female Directors out of six Board members. The Board targets to maintain at least the current level of female representation. The Board will strive for an appropriate proportion of Directors in selection of suitable candidates for appointments, having regard to the strategic objectives of the Group as well as the diversity aspects of the Board.

The gender ratio of the Group's workforce was 65% male (including senior management)/35% female as of 31 December 2022. The predominant image of construction, being the core business of the Group, is that of a male-dominated industry requiring brute strength and good tolerance for outdoor conditions. Furthermore, the construction industry is suffering from labour shortage and there is more work for the industry to do to promote its image in order to attract new entrants, whether male or female. Given the circumstances, it would not be appropriate for the Group to set any specific target of gender diversity for its workforce. Nevertheless, the Group is committed to providing equal opportunities to suitable candidates and staff for employment, learning and development, and job advancement regardless of gender.

Nomination Policy

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

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

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

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

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

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

Summary of Work Done

The Nomination Committee held one meeting and passed two written resolutions in 2022. Members' attendance records at the Committee meeting are set out in the Corporate Governance Report contained in this Annual Report.

During 2022, the Nomination Committee:

- reviewed the structure, size and composition of the Board and the implementation of the Board Diversity Policy;
- reviewed the independence of the Independent Non-executive Directors;
- reviewed the time commitment required of Directors to perform their responsibilities;
- reviewed and endorsed the Nomination Committee Report included in the 2021 Annual Report of the Company, with a recommendation to the Board for approval;
- considered the nomination of two retiring Directors for the Board's recommendation to stand for re-election by shareholders at the 2022 annual general meeting of the Company; and
- considered the renewal of service contracts with an Independent Non-executive Director and the Non-executive Director, with recommendations to the Board for approval.

Lo Hong Sui, Vincent
Chairman, Nomination Committee

Hong Kong, 24 March 2023

RISK MANAGEMENT REPORT

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

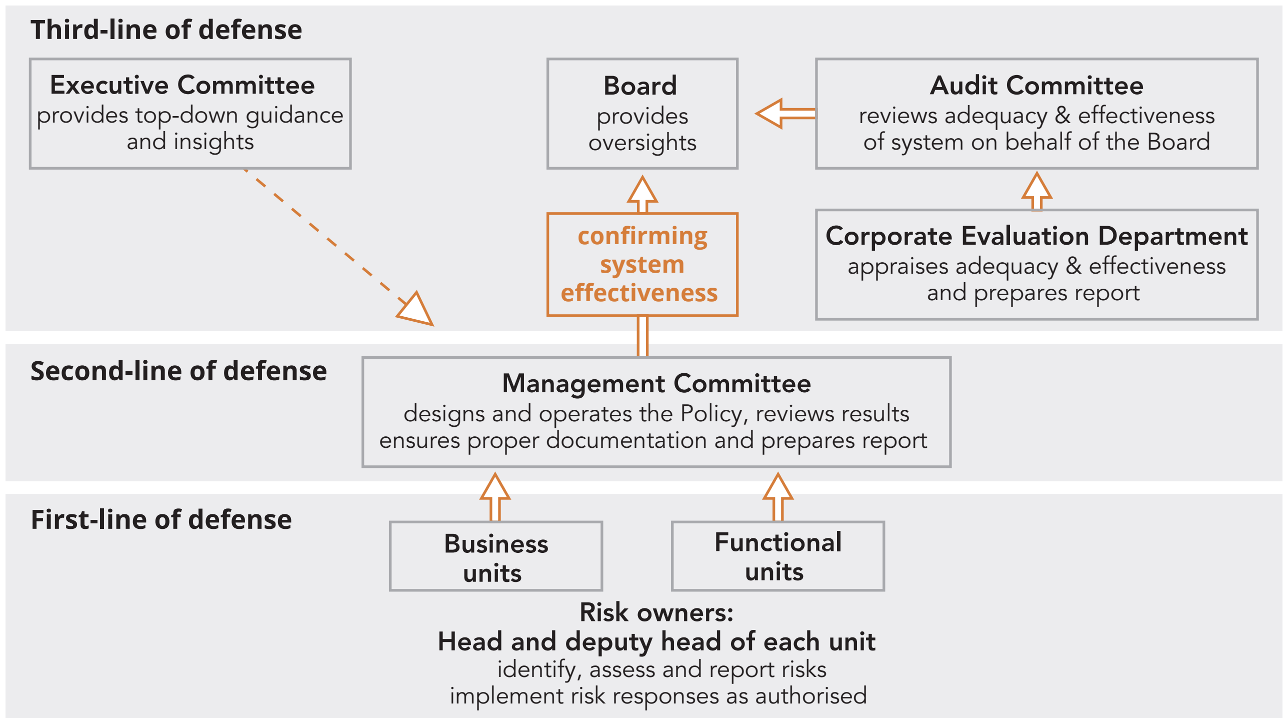
The Company has implemented a Risk Management Policy (the "Policy") since 2007 after the revision of the Code on Corporate Governance (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which required the Directors to review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

Effective 1 January 2016, amendments to the CG Code set out in the Listing Rules relating to risk management and internal control systems brought further improvements of the Group's practices. As stipulated in the revised CG Code, an internal audit function generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems. In 2017, the Company's Corporate Evaluation Department ("CE"), which undertakes the internal audit function, analysed the practices of some reputable listed groups and the concepts of new COSO release of Enterprise Risk Management – Integrating with Strategy and Performance, and recommended the Company to modify the Policy.

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

Risk Governance Structure

The risk governance structure of the Company is depicted below:



Legend: accountability in risk management system

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

With the assistance of CE, the Audit Committee annually conducts a review of the effectiveness of the system of risk management, which covers all material risks, including, amongst others, those relating to environmental, social and governance ("ESG"), with reference to the approaches suggested by the Institute of Internal Auditors and report to shareholders in the Annual Report of the Company. The senior executive in charge of CE has full access to all risk documentation for the purpose of independent appraisal of the adequacy and effectiveness of risk management system, and quarterly gives updates on the risk situation of the Group to the Audit Committee for monitoring.

Features of Risk Management Policy

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

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

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

Risk management is the culture, capabilities and practices, integrated with strategy and execution, that the Group relies on to manage risk in creating, preserving, and realising value. Risks may be simply accepted, moderately controlled, intensively mitigated, or completely transferred to third parties.

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

Risk Management Process

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

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

Approaches of Risk Identification and Monitoring

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

Bottom-up approach:

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

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

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

Top-down approach:

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

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

Risk Management in Strategy and Business Objectives Setting Process

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

The principal risks currently being managed by the Group include:

Risks and change of levels from last year		Risk responses
Construction segment		
Concentration on key customers offering uneven workload due to changes of the HKSAR Government's housing policies, policy on expenditure on public new works and maintenance works	↔	Accept and monitor
Keen competition in the fit-out market with reduced workload in Hong Kong	↔	Focus on the high-end market; sharpen management skills to earn reputation of project performance with good business relationship; strive for customer satisfaction and quality excellence
Abrupt changes in material prices and labour wages	↔	Give careful considerations during tendering stage; make provisions for the forecast changes in material prices and labour wages, and pre-bid with competent suppliers and subcontractors for certain trades
Workmanship and material usage non-compliance	↔	Strictly implement the enhanced quality assurance system on site
Ineffective procurement and subcontracting systems	↔	Strictly enforce the tender process and controls
Adequacy of competent and loyal staff, who may not be retained without abrupt changes in pay levels	↔	Keep up the training effort; actively expand recruitment channels; improve development measures and initiatives to enhance staff commitment and engagement, as well as to reinforce staff loyalty and sense of belonging; regularly monitor pay level movements and take pro-active measures in reviewing pay levels
Availability of competent nominated and domestic subcontractors, which are suffering from shortage of skilled labour, while shortage of reliable suppliers may arise	↔	Continue to identify good performance subcontractors and suppliers and maintain good relationship with them; carefully consider the forecast change in labour wages; make effective use of credit terms
Complexity of contract clauses and potential contractual claims	↔	Carefully review and provide allowance for the risks of complex clauses and potential contractual claims in tenders
Property segment		
Over-supply of shopping malls in major Mainland cities, coupled with increased competition on lifestyle malls	↔	Closely monitor business performance; adjust composition of the tenants
Keen competition among retail properties in Tianjin for strata-title sales	↔	Maintain part of the retail properties in Tianjin Veneto for lease
Others		
Unexpected fluctuation of exchange rates, in particular Renminbi against Hong Kong Dollars	↔	Take out currency hedging contracts as appropriate; continue to monitor closely the movements of Renminbi
Rise in market interest rate and interest rates margin on the Group's bank borrowings	↑	Closely monitor market trend of global and local lending markets and enter swap or hedging arrangement or issue fixed coupon medium term bonds when appropriate
Manpower effectiveness in meeting change of business strategy and disruption of business due to outbreak of epidemic	↔	Carry out special review of manpower of relevant business operations at time of change in business strategy and outbreak of epidemic

Risks and change of levels from last year		Risk responses
Loss of experienced and competent staff	↓	Monthly monitor staff turnover rate, and understand reasons for leaving with follow-up actions
Succession planning for key positions in the Group	↔	Plan and execute management development for the Company and its subsidiaries
Reputation risk arising from business operation crisis	↔	Conduct workshops for both management and operational staff

Process for Review of Risk Management System

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

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

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

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

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

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

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

Principal Activities

The Company is an investment holding company. The principal activities of its principal subsidiaries and joint ventures are set out in notes 39 and 40 to the consolidated financial statements respectively.

Business Review

A fair review of the businesses of the Group during the year and a discussion on the Group's business outlook are provided in the Chairman's Statement and the Management Discussion and Analysis sections of this Annual Report. A description of the principal risks and uncertainties facing the Group can be found in the abovementioned sections and the Environmental, Social and Governance Report as well as the Risk Management Report contained in this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in note 36 to the consolidated financial statements. The Directors are not aware of any important events affecting the Group that have occurred since the end of the financial year on 31 December 2022.

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

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

Results and Appropriations

The results of the Group for the year ended 31 December 2022 are set out in the Consolidated Statement of Profit or Loss.

The Board of Directors does not recommend the payment of a final dividend.

Dividend Policy

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

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

Share Capital

Details of the movements in the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

Reserves

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

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

At 31 December 2022, the Company's contributed surplus available for distribution to shareholders amounted to approximately HK$1,929 million.

Investment Properties

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

Property, Plant and Equipment

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

Directors

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

Executive Directors:

Mr. Lo Hong Sui, Vincent
Mr. Lee Chun Kong, Freddy

Non-executive Director:

Ms. Lo Bo Yue, Stephanie

Independent Non-executive Directors:

Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. William Timothy Addison

In accordance with Bye-law 87(1) of the Bye-laws, Mr. Lo Hong Sui, Vincent and Ms. Li Hoi Lun, Helen shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "2023 AGM") of the Company to be held on 31 May 2023.

No Director proposed for re-election at the 2023 AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' Indemnities

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

Interests of Directors and Chief Executive in Securities

At 31 December 2022, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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

	Number of shares				
Name of Director	Personal interests	Family interests	Other interests	Total	Approximate percentage of issued shares (Note 1)
Mr. Lo Hong Sui, Vincent ("Mr. Lo")	–	312,000 (Note 2)	236,309,000 (Note 3)	236,621,000	63.33
Mr. Lee Chun Kong, Freddy ("Mr. Lee")	20,000	–	–	20,000	0.00
Ms. Lo Bo Yue, Stephanie ("Ms. Lo")	–	–	236,309,000 (Note 3)	236,309,000	63.25

Notes:

1. Based on 373,606,164 shares of the Company in issue at 31 December 2022.
2. These shares were beneficially owned by Ms. Loletta Chu ("Mrs. Lo"), the spouse of Mr. Lo. Under the SFO, Mr. Lo was deemed to be interested in such shares and both Mr. Lo and Mrs. Lo were also deemed to be interested in 236,309,000 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

		Number of shares/underlying shares				
Name of Director	Name of associated corporation	Personal interests	Family interests	Other interests	Total	Approximate percentage of issued shares (Note 1)
Mr. Lo	Shui On Land Limited ("SOL")	–	1,849,521 (Note 2)	4,511,756,251 (Note 3)	4,513,605,772	56.22
Mr. Lee	SOL	81,333	–	–	81,333	0.00
Ms. Lo	SOL	– (Note 4)	–	4,511,756,251 (Note 3)	4,511,756,251	56.20

Notes:

1. Based on 8,027,265,324 shares of SOL in issue at 31 December 2022.
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 4,511,756,251 shares mentioned in Note 3 below.
3. These shares were held by SOCL through its controlled corporations, comprising 2,756,414,318 shares, 1,725,493,996 shares and 29,847,937 shares held by Shui On Investment Company Limited ("SOI"), Shui On Properties Limited ("SOP") and New Rainbow Investments Limited ("NRI") respectively, whereas both SOI and SOP were wholly-owned subsidiaries of SOCL. NRI was a wholly-owned subsidiary of the Company which in turn was held by SOCL as to approximately 63.25%. 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. At 31 December 2022, Ms. Lo no longer held any interest in the underlying shares of SOL due to the lapse during the year of the 437,000 share options granted to her by SOL on 4 July 2016, which were exercisable between 1 June 2017 and 3 July 2022 at an exercise price of HK$1.98 per share of SOL.

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

Name of Director	Name of associated corporation	Nature of interests	Class of debentures (Note 1)	Amount of debentures held
Mr. Lo	Shui On Development (Holding) Limited ("SODH")	Trust interests (Note 2)	5.75% senior notes due 2023	US$18,300,000
		Trust interests (Note 3)	6.15% senior notes due 2024	US$11,400,000
		Trust interests (Note 3)	5.50% senior notes due 2025	US$2,400,000
		Family interests (Note 4)	5.75% senior notes due 2023	US$2,000,000
		Family interests (Note 4)	5.50% senior notes due 2025	US$1,400,000
Ms. Lo	SODH	Trust interests (Note 2)	5.75% senior notes due 2023	US$18,300,000
		Trust interests (Note 3)	6.15% senior notes due 2024	US$11,400,000
		Trust interests (Note 3)	5.50% senior notes due 2025	US$2,400,000

Notes:

1. All the debentures represent the senior notes issued by SODH, which were not convertible into shares of any corporation.
2. These represent the interests in the debentures held by SOI, a wholly-owned subsidiary of SOCL, as to US$17,300,000 and by the Company, a 63.25%-owned subsidiary of SOCL, as to US$1,000,000. 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.
3. All the interests in the debentures were held by SOI, a wholly-owned subsidiary of SOCL, and Mr. Lo and Ms. Lo were deemed to have interests as mentioned in Note 2 above.
4. These represent the interests in the debentures held by Mrs. Lo, the spouse of Mr. Lo.

Save as disclosed above, at 31 December 2022, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders and Other Persons

At 31 December 2022, 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, 4 & 6)	63.21
SOCL	Beneficial owner	235,873,000 (Notes 3, 4 & 6)	63.13
Bosrich	Trustee	235,873,000 (Notes 3, 4 & 6)	63.13
HSBC Trustee	Trustee	235,873,000 (Notes 3, 4 & 6)	63.13
Mr. Sun Yinhuan ("Mr. Sun")	Founder of a discretionary trust	19,185,950 (Notes 5 & 6)	5.13
Right Ying Holdings Limited ("Right Ying")	Interest of controlled corporation	19,185,950 (Notes 5 & 6)	5.13
TMF (Cayman) Ltd. ("TMF")	Trustee	19,185,950 (Notes 5 & 6)	5.13

Notes:

1. Based on 373,606,164 shares of the Company in issue at 31 December 2022.
2. The number of shares disclosed above was based on the notice filed by Mrs. Lo on 2 July 2021 under Part XV of the SFO. It comprised 312,000 shares beneficially owned by Mrs. Lo and 235,853,000 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under the SFO as mentioned in Note 3 below.
3. The number of shares disclosed above was based on the notices filed by SOCL and Bosrich both on 7 July 2021 and the notice filed by HSBC Trustee on 8 July 2021 under Part XV of the SFO. Such shares were beneficially owned by SOCL, which was held under the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and one of the discretionary beneficiaries, Ms. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under the SFO.
4. According to the disclosure made by Mr. Lo, at 31 December 2022, SOCL beneficially owned 236,309,000 shares representing approximately 63.25% of the issued shares of the Company, while Mrs. Lo (the spouse of Mr. Lo), Bosrich and HSBC Trustee (being trustees of the trusts as mentioned in Note 3 above) were deemed to be interested in such shares under the SFO.
5. These shares were held by Everhigh Investments Limited, an indirect wholly-owned subsidiary of Right Ying. Right Ying was held under a discretionary trust, of which Mr. Sun was the founder and TMF was the trustee.
6. All the interests stated above represent long positions.

Save as disclosed above, at 31 December 2022, 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, which has a life of 10 years until 21 August 2022. No share option was granted under the scheme since 2014 up to its expiry, and all the outstanding share options granted before had lapsed in prior years.

Arrangement to Acquire Shares or Debentures

Other than the share option scheme as mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Purchase, Sale or Redemption of Listed Securities

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

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

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

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

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance through its continuous effort in improving its corporate governance practices. Details about the corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this Annual Report.

Connected Transactions

During the year, the Group entered into the following transactions which constituted non-exempt connected transactions of the Company and are required to be disclosed herein under Chapter 14A of the Listing Rules.

(1) Provision of renovation works

On 28 January 2022, Pat Davie Limited ("Pat Davie", an indirect non-wholly owned subsidiary of the Company) received and acknowledged the letter of award (the "Award Letter") issued by Shui On Centre Company Limited ("SOCCL", an indirect wholly-owned subsidiary of SOCL and an owner of certain proprietary areas of Shui On Centre, a commercial building located at 6-8 Harbour Road, Hong Kong), whereby the tender submitted by Pat Davie for providing renovation works, including (among others) supply and installation of certain fit-out works for lift lobbies, cargo lift lobbies and restrooms, on the 31st and 33rd floors of Shui On Centre (the "Renovation Works"), was accepted. The total contract sum for the Renovation Works is HK$4.138 million, inclusive of a contingency provision of HK$150,000 for any adjustment or variation of the Renovation Works as approved by SOCCL.

As SOCCL is a subsidiary of SOCL, the controlling shareholder of the Company, it is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the provision of the Renovation Works by Pat Davie pursuant to the Award Letter constituted a connected transaction of the Company, details of which were set out in the announcement dated 28 January 2022 issued by the Company.

(2) Partial exercise of call option in relation to shares in Shui On Contractors Limited ("SOCON")

Reference is made to the call option (the "Call Option") granted by Mr. Choi Yuk Keung, Lawrence ("Mr. Lawrence Choi") in respect of the 12 shares of SOCON sold to him by the Company under the sale and purchase agreement dated 4 August 2017 (as amended by the supplemental agreement dated 26 May 2020) (the "Sale and Purchase Agreement") as disclosed in the announcement of the Company dated 4 August 2017. SOCON is a non-wholly owned subsidiary of the Company, which via its subsidiaries principally engages in construction and building maintenance in Hong Kong and Macau.

Pursuant to the terms of the Call Option as set out in the Sale and Purchase Agreement, on 29 July 2022, the Company served a written notice on Mr. Lawrence Choi, who retired and ceased to be an employee on 1 July 2022 upon which the Call Option has become exercisable, to partially exercise the Call Option to acquire 6 of his 12 SOCON shares, representing 3% of the issued share capital of SOCON, free from all encumbrances (the "Acquisition") for a consideration of approximately HK$42.03 million, which is equal to the exercise price of the Call Option in relation to the 6 SOCON shares under the Acquisition and was determined based on the adjusted pro-forma consolidated net asset value of SOCON and its subsidiaries (the "SOCON Group") as at 30 June 2022.

In addition, on 29 July 2022, the Company entered into a deed of agreement (the "Deed") with Mr. Lawrence Choi whereby the Company agreed not to exercise the Call Option in relation to the remaining 6 SOCON shares held by him (the "Remaining Shares"), representing 3% of the issued share capital of SOCON, subject to the condition, among other things, that he shall sell and transfer all the Remaining Shares to such purchaser(s) (intended to be employee(s) of the SOCON Group) as designated by the Company on or before 31 July 2023 at the sale price to be determined on the same basis as the exercise price of the Call Option as stipulated in the Sale and Purchase Agreement, which would be approximately HK$42.03 million based on the adjusted pro-forma consolidated net asset value of the SOCON Group as at 30 June 2022 if the Company had exercised the Call Option in relation to the Remaining Shares on 29 July 2022. No fee or compensation was payable by the Company or Mr. Lawrence Choi under the Deed.

As Mr. Lawrence Choi was a director and the vice-chairman of SOCON and a director of certain of its subsidiaries before his retirement on 1 July 2022, he is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition and the non-exercise of the Call Option in relation to the Remaining Shares as agreed by the Company, which was treated as if exercised under Rule 14A.79(4) of the Listing Rules, constituted connected transactions of the Company, details of which were set out in the announcement dated 29 July 2022 issued by the Company.

The Acquisition was completed on 24 August 2022. The disposal of the Remaining Shares by Mr. Lawrence Choi was expected to be completed on or before 31 August 2023 pursuant to the Deed.

Continuing Connected Transactions

Set out below are the transactions entered into by the Group which constitutes continuing connected transactions of the Company and are required to be disclosed herein under Chapter 14A of the Listing Rules.

(1) Provision of property management services

Pursuant to the property management services agreement dated 16 December 2021 (the "Property Management Agreement") entered into between Pacific Extend Properties Management Limited ("PEPM", an indirect wholly-owned subsidiary of the Company) and Shui On Centre Property Management Limited ("SOCPML", an indirect wholly-owned subsidiary of SOCL and the management company of Shui On Centre under the deed of mutual covenant and management agreement in respect of Shui On Centre dated 17 February 1994 (the "DMC")), PEPM continues to provide services in relation to the management and maintenance of Shui On Centre (the "SOC Property Management Services") to SOCPML for a term of three years commencing from 1 January 2022 following expiration of the previous property management services agreement dated 16 March 2019. The annual service fee of PEPM (the "Service Fee") is equivalent to the aggregate sum of (i) 9% of the budgeted expenses for the management of Shui On Centre (the "Management Expenses") calculated in accordance with the provisions set out in the DMC for the relevant financial year (excluding (a) the budged Management Expenses on the remuneration to be received by SOCPML in its capacity as the management company appointed under the DMC; and (b) the sinking fund maintained under the DMC to meet all expenditure of a heavy and/or non-recurrent nature for the common areas of Shui On Centre) plus any additional sum demanded and recovered by SOCPML in accordance with the DMC provisions to cover any insufficiency in the Management Expenses; and (ii) 9% of the part of (if any) actual capital expenditure incurred from 1 January 2022 which exceeds the accumulated balance of the sinking fund as at 31 December 2021. Besides, SOCPML shall reimburse PEPM on cost basis for the costs, expenses and disbursements properly incurred in the course of performing the SOC Property Management Services, such as the charges of main office overheads, facilities, accountancy or other professional services, any staff cost and sums payable for the use of any premises reasonably required by PEPM as the management office (the "Disbursements"). The total amounts of the Service Fee and the Disbursements paid or payable by SOCPML to PEPM under the Property Management Agreement for the year ended 31 December 2022 and for the years ending 31 December 2023 and 2024 should not exceed the annual caps of HK$20 million, HK$22 million and HK$22 million respectively.

As SOCPML is a subsidiary of SOCL, the controlling shareholder of the Company, it is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the provision of the SOC Property Management Services by PEPM under the Property Management Agreement constitutes a continuing connected transaction of the Company, details of which were set out in the announcement dated 16 December 2021 issued by the Company.

The total amount of the Service Fee and the Disbursements paid or payable to PEPM under the Property Management Agreement was approximately HK$14.52 million for the year ended 31 December 2022. In accordance with Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed such continuing connected transaction for the year ended 31 December 2022 and confirmed that the transaction has been entered into by PEPM in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the Property Management Agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

(2) Provision of works and services in relation to the asset enhancement project of Shui On Centre

On 7 March 2022, the Company and SOCL entered into a framework agreement (as amended by a supplemental agreement dated 13 May 2022) (the "Framework Agreement") pursuant to which any member of the Group may, from time to time during the term of the Framework Agreement commencing from 1 June 2022 and ending on 31 December 2024, submit tender under any tender invitation made by SOCL or any of its subsidiaries (together with SOCL, the "SOCL Group") (for the proprietary areas of Shui On Centre) or on behalf of the SOCL Group and the other owners of Shui On Centre (for the common areas of Shui On Centre) and enter into any contract, if awarded, for the engagement of such member of the Group as contractor or service provider for the provision of the following works and services:

(a) overhaul enhancement works for Shui On Centre, covering its common areas and/or proprietary areas owned by the SOCL Group as the project may involve (the "Works"). This would cover all types of works typical of an asset enhancement project for an office commercial building of similar grading, including but not limited to builder works, building services works, renovation works, fitting-out works, additional and alteration works, maintenance works, and procurement and installation of smart facilities to improve the efficiency of energy consumption, facilities management and user journey by implementing building management and related software systems (the "Smart Facilities"); and

(b) after sales/maintenance services for the Smart Facilities included under the Works (the "Services") for a term of not more than three years.

According to the best estimation of the Company based on reasonable assumptions, (i) the maximum total contract sum of the Works that may be awarded to member(s) of the Group within the term of the Framework Agreement pursuant to all the tenders submitted under the Framework Agreement would be HK$372 million (the "Project Cap"); and (ii) the maximum total after sales/maintenance service fee for the Services that may be awarded to member(s) of the Group within the term of the Framework Agreement pursuant to all the tenders submitted under the Framework Agreement would be HK$9 million (the "Service Cap"). Taking into account the circumstance that all the tenders for the Works and the Services might be released in one single year during the term of the Framework Agreement, the Project Cap and the Service Cap were set as the annual caps for the Works and the Services respectively (the "Annual Caps") for each of the period ended 31 December 2022 and the years ending 31 December 2023 and 2024.

As SOCL is the controlling shareholder of the Company, SOCL and members of the SOCL Group are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Framework Agreement and, if materialised, the transactions pursuant thereto constitute continuing connected transactions of the Company, details of which were set out in the announcements dated 7 March 2022 and 13 May 2022 and the circular dated 16 May 2022 issued by the Company. In accordance with the requirements of the Listing Rules, approval for the Framework Agreement, the transactions contemplated thereunder and the Annual Caps was obtained from the independent shareholders of the Company at a special general meeting held on 1 June 2022.

The total contract sum of certain Works, namely the addition and alteration, façade and fitting-out works including building services works at certain common and proprietary areas of Shui On Centre, awarded to Pat Davie (a member of the Group) pursuant to the tenders submitted by it under the Framework Agreement was approximately HK$119.95 million (subject to increase for the variation orders for the awarded Works, estimated to be approximately HK$17.35 million) for the year ended 31 December 2022. Other than Pat Davie, no contract was awarded to any member of the Group during 2022 pursuant to any tender submitted for the Works or the Services under the Framework Agreement. In accordance with Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed such continuing connected transaction for the year ended 31 December 2022 and confirmed that the transaction has been entered into by Pat Davie in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the Framework Agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

Directors' Interests in Competing Businesses

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

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

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

(3) Ms. Lo is a director of SOCL which, through its subsidiaries, including (among others) SOL, principally engages in property development and investment projects in the PRC.

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

Directors' Interests in Transactions, Arrangements or Contracts

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

Management Contracts

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

Equity-linked Agreements

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

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$1,973 million at 31 December 2022, which comprised:

	HK$ million
Receivables	529
Guarantees	1,444
	1,973

The receivables are unsecured, repayable on demand and out of the total outstanding balance, an amount of HK$134 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 20(d) and 34(a) to the consolidated financial statements.

Disclosure under Rule 13.21 of the Listing Rules

On 15 October 2021, the Company entered into a loan agreement (the "Loan Agreement") with a licensed bank established in Hong Kong (the "Bank") whereby the Bank agreed to make available to the Company a term loan facility up to a principal amount of HK$1,300 million (the "Loan Facility") for a term of three years for the purpose of refinancing the outstanding amount of the Company's senior notes matured in January 2022. Pursuant to the Loan Agreement, there is a condition requiring the Company to procure (i) SOCL to remain the single largest shareholder of the Company; and (ii) Mr. Lo to remain the Chairman of the Board of Directors. Any breach of these specific performance obligations will constitute an event of default under the Loan Agreement, and the Bank may, by notice to the Company, cancel the Loan Facility and declare that all or any part of the Loan Facility, together with the accrued interest and all other amounts accrued or outstanding under the Loan Agreement, become immediately due and payable. Please refer to the announcement of the Company dated 15 October 2021 for the related details.

Disclosure under Rule 14.36B of the Listing Rules

On 20 December 2021, PEL (E&M) Limited ("PEL (E&M)", an indirect non-wholly owned subsidiary of the Company) as purchaser entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Mr. Chung Kin Wah ("Mr. Chung") as vendor in relation to the acquisition of 65% share interest in Welpro Technology Limited ("Welpro"), which constituted a disclosable transaction under Chapter 14 of the Listing Rules. As disclosed in the announcement of the Company dated 20 December 2021, under the Sale and Purchase Agreement, Mr. Chung provided an undertaking to PEL (E&M) that the profit of Welpro before interest, tax, depreciation and amortisation (the "Actual Net Profit") for each of the financial years ended 31 March 2022 and ending 31 March 2023, as derived in its management accounts or audited financial statements for the corresponding financial year, shall not be less than HK$7.14 million and HK$12.05 million (the "Guaranteed Profit"), respectively. If the Actual Net Profit is less than the Guaranteed Profit for each of the said financial years, Mr. Chung shall be obliged to pay to PEL (E&M) in cash an amount equivalent to 65% of the shortfall within 14 days after the issuance of the Welpro's management accounts or audited financial statements (whichever is applicable) for the corresponding financial year.

Based on the audited financial statements of Welpro for the year ended 31 March 2022, the Actual Net Profit of Welpro was above the Guaranteed Profit for the said financial year.

Retirement Benefit Plans

Details of the Group's retirement benefit plans are shown in note 28 to the consolidated financial statements.

Major Suppliers and Major Customers

The five largest suppliers of the Group accounted for less than 26% of the total purchases of the Group for the year.

The five largest customers of the Group accounted for approximately 81% of the total turnover of the Group for the year with the largest customer, the Architectural Services Department of The Government of the Hong Kong Special Administrative Region, accounting for approximately 47% of the turnover of the Group.

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

Donations

During the year, the Group made donations of approximately HK$2.1 million to business associations and institutions as well as charity communities.

Pre-emptive Rights

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

Public Float

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

Auditor

Deloitte Touche Tohmatsu will retire and, being eligible, offer itself for re-appointment at the 2023 AGM. A resolution will be proposed at the 2023 AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Lo Hong Sui, Vincent
Chairman

Hong Kong, 24 March 2023

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of SOCAM Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 122 to 210, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgements associated with determining their fair value. As disclosed in note 13 to the consolidated financial statements, the investment properties are situated in Mainland China and carried at a total value of HK$4,199 million as at 31 December 2022, which represented 46% of the Group's total assets. The amount of fair value losses of HK$121 million relating to these investment properties was recognised in the consolidated statement of profit or loss for the year then ended.	Our procedures in relation to the valuation of investment properties included: • Obtaining an understanding of the management's process for reviewing and evaluating the work of the Valuers; • Evaluating the competence, capabilities and objectivity of the Valuers and obtaining an understanding of their scope of work and their terms of engagement; and

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties (Continued)	
All of the Group's investment properties are stated at fair value based on the valuations carried out by independent qualified professional valuers (the "Valuers"). Details of the valuation technique and key inputs used in the valuations are disclosed in note 13 to the consolidated financial statements. The valuations of investment properties are dependent on certain key inputs, including capitalisation rate, market rent and market price.	• Evaluating the reasonableness of valuation techniques and key inputs, including capitalisation rate, market rent and market price, adopted by the management of the Group and the Valuers by comparing these estimates to comparables of similar properties in Mainland China.
Estimation of expected credit losses ("ECL") of receivables due from a former subsidiary group and the accounting impact of the related financial guarantee	
We identified the estimation of ECL in respect of receivables of HK$529 million due from China Central Properties Limited's former subsidiary group (the "Debtor") and the accounting impact of the related financial guarantee in respect of a loan granted to the Debtor as a key audit matter due to the significant judgements involved in estimating the timing and future cash flows expected to be derived from the receivables and the likelihood of the outflow of resources resulting from the financial guarantee. As disclosed in notes 20(d) and 34(a) to the consolidated financial statements, the Group has outstanding receivables of HK$529 million due from the Debtor and remains as a guarantor for a loan granted to the Debtor of HK$607 million plus related interest amounting to HK$837 million at 31 December 2022. Courts in the People's Republic of China have issued notices to attach the property interests held by the Debtor to cause the Debtor to settle part of the onshore outstanding receivables. The management expects that the receivables of HK$529 million will be fully settled and the financial guarantee of HK$607 million plus related interest amounting to HK$837 million will be fully released either through public auction of the property interest (the "Auction") or the sale of the equity interest of the entity holding the property interest (the "Sale of Equity Interest"), and therefore no loss allowance for ECL is recognised.	Our procedures in relation to estimated provision of ECL of the receivables due from the Debtor and the accounting impact of the related financial guarantee included: • Obtaining an understanding of the management's process of reviewing the estimated provision of ECL of the receivables and the accounting impact of the related financial guarantee; • Enquiring with management and lawyers to understand the progress of the Auction and the Sale of Equity Interest and how the management performed the assessment on the estimated provision of ECL of the receivables and the related financial guarantee; • Inspecting the relevant agreements which the Group entered into, court judgements and notices issued up to the date of our report, and the legal opinion issued by an external lawyer to assess the appropriateness of the management's basis in evaluating the latest progress of the legal cases; and • Assessing the appropriateness of the valuation of the underlying property interest held by the Debtor performed by an independent professional valuer with reference to comparable properties and market transactions as available in the market to evaluate the reasonableness of these judgments.

Key audit matter	How our audit addressed the key audit matter
Recognition of contract revenue and contract assets for construction contracts	
We identified construction contract revenue and contract assets as a key audit matter as they are quantitatively significant to the consolidated financial statements as a whole. As disclosed in notes 5 and 22 to the consolidated financial statements, the construction contracts revenue and contract assets amounted to HK$6,030 million and HK$764 million respectively for the year ended 31 December 2022. As set out in note 3 to the consolidated financial statements, the Group recognised contract revenue by reference to the progress of satisfying the performance obligation at the reporting date.	Our procedures in relation to the contract revenue and contract assets for construction contracts included: • Testing the Group's internal controls over the recognition of contract revenue for construction contracts; • Discussing with project managers, internal quantity surveying managers and the management of the Group and checking on a sample basis, the supporting documents such as contracts and variation orders to evaluate the reasonableness of the revenue recognised; • Checking the revenue to underlying construction contracts entered into with the customers and other relevant correspondences and supporting documents in respect of variations in construction works or price adjustments on a sample basis; and • Assessing the revenue from construction contracts by comparing, on a sample basis, with the latest certificates issued by the independent quantity surveyors before and after year end.

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

24 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 HK$ million	2021 HK$ million
Turnover	5	6,307	5,267
Other income, other gains and losses	6	(173)	131
Cost of properties sold		(34)	(61)
Raw materials and consumables used		(574)	(280)
Staff costs		(847)	(762)
Depreciation and amortisation		(59)	(46)
Subcontracting, external labour costs and other expenses		(4,373)	(3,708)
Fair value changes on investment properties	13	(121)	(135)
Finance costs	7	(164)	(161)
Share of (loss) profit of joint ventures	5	(2)	8
(Loss) profit before taxation		(40)	253
Taxation	8	(82)	(78)
(Loss) profit for the year	10	(122)	175
Attributable to:			
Owners of the Company		(232)	76
Non-controlling interests		110	99
		(122)	175
(Loss) earnings per share	11		
Basic		HK$(0.62)	HK$0.20
Diluted		HK$(0.62)	HK$0.20

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK$ million	2021 HK$ million
Non-current Assets			
Investment properties	13	4,199	4,719
Goodwill		18	9
Other intangible assets		23	–
Right-of-use assets	30	55	24
Property, plant and equipment	14	35	33
Interests in joint ventures	15	114	119
Financial asset at fair value through other comprehensive income	16	30	31
Financial assets at fair value through profit or loss	17	6	2
Deferred tax assets	29	2	–
Club memberships		1	1
		4,483	4,938
Current Assets			
Properties held for sale	19	664	757
Properties under development for sale	19	169	185
Debtors, deposits and prepayments	20	1,474	1,390
Contract assets	22	764	665
Amounts due from joint ventures	18	68	81
Amounts due from related companies	23	18	47
Financial asset at amortised cost		6	–
Tax recoverable		12	4
Restricted bank deposits	21	365	388
Bank balances, deposits and cash	20	1,086	1,127
		4,626	4,644
Current Liabilities			
Creditors and accrued charges	24	2,274	2,185
Contract liabilities	22	35	21
Lease liabilities		31	19
Amounts due to joint ventures	18	149	150
Amounts due to related companies	23	44	42
Taxation payable		193	206
Bank borrowings due within one year	25	1,624	934
Senior notes	26	–	1,227
		4,350	4,784
Net Current Assets (Liabilities)		276	(140)
Total Assets Less Current Liabilities		4,759	4,798

	Notes	2022 HK$ million	2021 HK$ million
Capital and Reserves			
Share capital	27	373	374
Reserves		2,256	2,890
Equity attributable to owners of the Company		2,629	3,264
Non-controlling interests		304	270
		2,933	3,534
Non-current Liabilities			
Bank borrowings	25	1,428	884
Lease liabilities		26	6
Defined benefit liabilities	28	100	63
Deferred tax liabilities	29	272	311
		1,826	1,264
		4,759	4,798

The consolidated financial statements on pages 122 to 210 were approved and authorised for issue by the Board of Directors on 24 March 2023 and are signed on its behalf by:

Lo Hong Sui, Vincent
Chairman

Lee Chun Kong, Freddy
Executive Director and Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company												
	Share capital	Share premium account	Translation reserve	Contributed surplus (Note a)	Goodwill	Accumulated losses	Share option reserve	Actuarial gain and loss	Investment revaluation reserve	Other reserve (Note b)	Total	Non-controlling interests	Total Equity
	HK$ million	HK$ million	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 2021	374	2,982	347	197	(3)	(1,070)	5	34	(18)	284	3,132	219	3,351
Fair value changes of an equity investment at fair value through other comprehensive income	–	–	–	–	–	–	–	–	(1)	–	(1)	–	(1)
Exchange differences arising on translation of financial statements of foreign operations	–	–	118	–	–	–	–	–	–	–	118	–	118
Cumulative exchange differences reclassified to profit or loss upon deregistration of subsidiaries	–	–	(21)	–	–	–	–	–	–	–	(21)	–	(21)
Remeasurement of defined benefit scheme	–	–	–	–	–	–	–	(40)	–	–	(40)	–	(40)
Profit for the year	–	–	–	–	–	76	–	–	–	–	76	99	175
Total comprehensive income (expense) for the year	–	–	97	–	–	76	–	(40)	(1)	–	132	99	231
Transfer upon lapse of share options	–	–	–	–	–	5	(5)	–	–	–	–	–	–
Partial acquisition of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(6)	(6)
Dividends payable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(42)	(42)
At 31 December 2021	374	2,982	444	197	(3)	(989)	–	(6)	(19)	284	3,264	270	3,534
Fair value changes of an equity investment at fair value through other comprehensive income	–	–	–	–	–	–	–	–	(1)	–	(1)	–	(1)
Exchange differences arising on translation of financial statements of foreign operations	–	–	(335)	–	–	–	–	–	–	–	(335)	–	(335)
Cumulative exchange differences reclassified to profit or loss upon deregistration of subsidiaries	–	–	(4)	–	–	–	–	–	–	–	(4)	–	(4)
Remeasurement of defined benefit scheme	–	–	–	–	–	–	–	(35)	–	–	(35)	–	(35)
(Loss) profit for the year	–	–	–	–	–	(232)	–	–	–	–	(232)	110	(122)
Total comprehensive (expense) income for the year	–	–	(339)	–	–	(232)	–	(35)	(1)	–	(607)	110	(497)
Share premium reduction (note c)	–	(2,982)	–	1,866	–	1,116	–	–	–	–	–	–	–
Acquisition of a subsidiary (note 33)	–	–	–	–	–	–	–	–	–	–	–	15	15
Repurchase of shares	(1)	–	–	–	–	–	–	–	–	–	(1)	–	(1)
Partial acquisition of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(46)	(46)
Partial disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	(1)	(1)	6	5
Dividends recognised as distribution (note 12)	–	–	–	(26)	–	–	–	–	–	–	(26)	–	(26)
Dividends payable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(51)	(51)
At 31 December 2022	373	–	105	2,037	(3)	(105)	–	(41)	(20)	283	2,629	304	2,933

Notes:

(a) The contributed surplus of the Group represents (i) 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; ii) share premium reduction in June 2022; and net of iii) offset against the accumulated losses of the Company at 1 January 2022 and iv) distribution to shareholders. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

(b) Other reserve of the Group mainly include (i) an amount of HK$231 million (2021: 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 (2021: 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 (2021: 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.

(c) Pursuant to a special resolution passed by the shareholders at the annual general meeting of the Company held on 1 June 2022, the entire amount standing to the credit of the share premium account of the Company was reduced and cancelled and that the credit arising therefrom be transferred to the contributed surplus account whereupon it was applied to offset the entire amount of the accumulated losses of the Company at 1 January 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 HK$ million	2021 HK$ million
Operating Activities		
(Loss) profit before taxation	(40)	253
Adjustments for:		
Reclassification for exchange differences upon deregistration of subsidiaries	(4)	(21)
Impairment loss recognised on property inventories	5	4
Expected credit losses recognised on trade debtors, contract assets and other receivables	18	4
Share of loss (profit) of joint ventures	2	(8)
Interest income	(27)	(25)
Finance costs	164	161
Dividend income from an equity investment	(4)	(1)
Fair value changes on investment properties	121	135
Fair value loss on financial assets at fair value through profit or loss	1	–
Depreciation of property, plant and equipment	15	16
Depreciation of right-of-use assets	37	27
Amortisation of other intangible assets	7	3
Discount on buy-back of senior notes	–	(1)
Expense recognised in respect to defined benefit scheme	10	11
Operating cash flows before movements in working capital	305	558
Decrease in properties held for sale	26	69
(Increase) decrease in debtors, deposits and prepayments	(97)	179
(Increase) decrease in contract assets	(97)	2
Increase in amounts due from related companies	(5)	–
Decrease (increase) in amounts due from joint ventures	3	(1)
Increase (decrease) in creditors and accrued charges	274	(441)
Increase (decrease) in contract liabilities	14	(22)
Increase in amounts due to joint ventures	–	1
Increase (decrease) in amounts due to related companies	1	(8)
Contribution to defined benefit scheme	(8)	(5)
Cash from operations	416	332
Hong Kong Profits Tax paid	(103)	(71)
Hong Kong Profits Tax refunded	–	10
Income taxes of other regions in the People's Republic of China ("PRC") paid	(4)	(3)
Net cash from operating activities	**309**	**268**

	2022 HK$ million	2021 HK$ million
Investing Activities		
Advances (to) from joint ventures	(1)	3
Acquisition of a subsidiary (note 33)	(30)	–
Additions in property, plant and equipment	(19)	(10)
Payment for construction of investment properties	(1)	(1)
Purchases of financial assets at fair value through profit or loss	(5)	(2)
Purchase of financial asset at amortised cost	(6)	–
Interest received	24	20
Proceeds from disposal of property, plant and equipment	1	1
Proceeds from disposal of investment properties	5	3
Dividends received from equity investments	4	1
Net proceeds from disposal of interest in an associate in previous year	1	2
Restricted bank deposits placed	(10)	(13)
Restricted bank deposits refunded	1	17
Net cash (used in) from investing activities	**(36)**	**21**
Financing Activities		
Drawdown of bank borrowings	1,515	452
Repayment of bank borrowings	(261)	(458)
Repayment of senior notes	(1,227)	–
Payment for repurchase of shares	(1)	–
Payment for buy-back of senior notes	–	(46)
Payment of lease liabilities	(36)	(28)
Payment for partial acquisition of interest in a subsidiary	(45)	(6)
Proceeds from partial disposal of interest in a subsidiary	6	–
Interest paid	(154)	(136)
Other borrowing costs paid	(13)	(7)
Dividends paid	(26)	–
Dividends paid to non-controlling shareholders of subsidiaries	(51)	(42)
Net cash used in financing activities	**(293)**	**(271)**
Net (decrease) increase in cash and cash equivalents	(20)	18
Cash and cash equivalents at the beginning of the year	1,127	1,101
Effect of foreign exchange rate changes	(21)	8
Cash and cash equivalents at the end of the year	**1,086**	**1,127**
Analysis of the balances of cash and cash equivalents		
Bank balances, deposits and cash	1,086	1,127

1. General Information and Basis of Presentation

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

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

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

The Group has analysed the contracts for which the Group has not yet fulfilled all its obligations at 1 January 2022 and determined that none of them would be identified as onerous when applying the revised accounting policy. Therefore, the amendments have had no impact on the consolidated financial statements for the year ended 31 December 2022.

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

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

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

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRS issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance (Cap 622).

Basis of preparation

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

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

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

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

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

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

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

Basis of consolidation

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

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

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

3. Significant Accounting Policies (Continued)

Business combinations (Continued)

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

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

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

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

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

Intangible assets

Goodwill

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

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

3. Significant Accounting Policies (Continued)

Intangible assets (Continued)

Goodwill (Continued)

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

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

Other intangible assets

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

Investments in joint ventures

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

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

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

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

3. Significant Accounting Policies (Continued)

Investments in joint ventures (Continued)

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

Investments in joint operations

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

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

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

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

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

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

Revenue from contracts with customers

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

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

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

3. Significant Accounting Policies (Continued)

Revenue from contracts with customers (Continued)

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

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

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

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

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

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

Sales of properties

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

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

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

Construction contracts

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

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

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

Rendering of services

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

3. Significant Accounting Policies (Continued)

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Cash and cash equivalents

Bank balances, deposits and cash presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances, deposits and cash.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 21.

Investment properties

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

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

Property, plant and equipment

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

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

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

3. Significant Accounting Policies (Continued)

Club memberships

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties held for sale

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

Properties under development for sale

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

Government subsidies

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

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

3. Significant Accounting Policies (Continued)

Government subsidies (Continued)

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

Borrowing costs

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

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

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Contingent liabilities

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

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

Taxation

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Taxation (Continued)

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

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

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

Leases

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

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

The Group as lessor

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

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

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

The Group as lessee

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

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

3. Significant Accounting Policies (Continued)

Leases (Continued)

The Group as lessee (Continued)

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

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

Right-of-use assets

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

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

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

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

Lease liabilities

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; and
- the lease payments change, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

3. Significant Accounting Policies (Continued)

Leases (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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

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

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

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

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

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

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

COVID-19-Related Rent Concessions

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

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

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

3. Significant Accounting Policies (Continued)

Foreign currencies

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

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

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

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

Retirement benefits costs

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

3. Significant Accounting Policies (Continued)

Retirement benefits costs (Continued)

For the defined benefit retirement scheme, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in accumulated losses and will not be reclassified to profit or loss.

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

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

Defined benefit costs are categorised as follows:

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

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

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

3. Significant Accounting Policies (Continued)

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets designated at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, other gains or losses" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with net changes in fair value recognised in profit or loss. Dividends on equity investments classified as financial assets at FVTPL are also recognised as "other income, other gains or losses" in the consolidated statement of profit or loss when the right of payment has been established.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade debtors, other receivables, amounts due from joint ventures and related companies, restricted bank deposits, bank balances and deposits) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

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

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

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

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

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

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

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

Derecognition of financial assets

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

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

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

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

Financial liabilities and equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Buy-back of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through profit or loss.

Borrowings

Bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Senior notes

Senior notes are subsequently measured at amortised cost, using the effective interest method. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

Other financial liabilities at amortised cost

Other financial liabilities (including creditors, other payables, lease liabilities and amounts due to joint ventures and related companies) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contract liabilities are initially at their fair values. Subsequent to initial recognition, the Group measures the financial guarantee contract liabilities at the higher of: (i) the amount of loss allowance determined in accordance with HKFRS 9; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

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

Share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date without taking into consideration of all non-market vesting condition is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, for share options, which are conditional upon satisfying specified non-market performance vesting conditions, the Group revises its estimates of the number of options that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share option reserve.

Share-based payment transactions (Continued)

Share options granted to employees (Continued)

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to accumulated losses.

The Group accounts for the cancellation of share options as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. In estimating the amount to be recognised in the event of cancellation, the Group takes into account the Group's estimate of the number of options that would have vested had the cancellation not occurred.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key judgements, estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation, which involves certain estimates of market conditions. As disclosed in note 13, the investment properties carried at a total value of HK$4,199 million (2021: HK$4,719 million). In relying on the valuation report, the Directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

Estimation of expected credit losses of receivables due from a former subsidiary and the accounting impact of the related financial guarantee

As disclosed in notes 20(d) and 34(a), CCP disposed of a former subsidiary group (the "Debtor") in prior years. With respect to the disposal, the Group had outstanding receivables of HK$529 million at 31 December 2022 and remained as a guarantor for a loan granted to the Debtor at a principal amount of RMB542 million (HK$607 million) plus related interest. The receivables of HK$529 million (2021: HK$528 million) are expected to be settled either through public auction of the property interest (the "Auction") or the sale of the equity interest of the entity holding the property interest (the "Sale of Equity Interest"). In addition, the financial guarantee in respect of the outstanding principal amount of the loan amounting to RMB542 million (HK$607 million) (2021: RMB542 million (HK$663 million)) and the related interest amounting to RMB748 million (HK$837 million) (2021: RMB681 million (HK$833 million)) will be fully released upon completion of the Auction or the Sale of Equity Interest. With certain positive events as mentioned in note 20(d) and the fact that the Company has put in place a dedicated team, with focused efforts and through various commercial and judicial channels, management expects that the issues will be resolved. With the devoted effort of the dedicated team and advices from lawyers, management expects that the Auction will be materialised, and that the receivables will be recovered and the guarantee will be released soon after the Auction. Therefore, no loss allowance for ECL is recognised.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Estimation of expected credit losses of receivables due from a former subsidiary and the accounting impact of the related financial guarantee (Continued)

The Group reviews the carrying amounts of the receivables due from the Debtor at the end of the reporting period to determine whether there is any indication that these receivables have suffered an impairment loss. In determining the recoverable amount of such receivables and whether provision should be recognised in respect of the related financial guarantee contract, management has exercised judgement in estimating the timing and future cash flows to be recovered and evaluation of the probability of resources outflow that will be required, with reference to the market value of the underlying property interest held by the Debtor assessed by an independent professional valuer based on the comparable properties and market transactions as available in the market, and determined that no impairment or provision was necessary at the end of the reporting period. Management has closely monitored the progress. If the actual outcome and timing regarding the abovementioned public auction and hence the recoverability are different from expectation, an impairment loss may arise.

Deferred tax on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the Directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties in Mainland China of HK$4,199 million at 31 December 2022 (2021: HK$4,719 million) are held to earn rental income and they are considered to be held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on these investment properties at fair value is measured based on the tax consequences of recovering the carrying amounts of the investment properties through use. Details of deferred tax are set out in note 29.

5. Turnover and Segment Information

Revenue of the Group represents contract revenue arising on construction and maintenance contracts, revenue from sale of properties, fees from management services and leasing income.

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

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

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

5. Turnover and Segment Information (Continued)

(a) Reportable segment revenue and profit or loss

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

For the year ended 31 December 2022

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

5. Turnover and Segment Information (Continued)

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

For the year ended 31 December 2021

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

5. Turnover and Segment Information (Continued)

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

Details of the Group's performance obligation in contracts with customers are described in note 3.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) and the expected timing of recognising revenue are as follows:

At 31 December 2022

	Properties sales HK$ million	Construction contracts HK$ million
Within one year	20	8,466
More than one year but less than two years	–	4,918
More than two years	–	2,377
	20	15,761

At 31 December 2021

	Properties sales HK$ million	Construction contracts HK$ million
Within one year	33	5,696
More than one year but less than two years	–	6,719
More than two years	–	1,534
	33	13,949

5. Turnover and Segment Information (Continued)

(b) Reportable segment assets and liabilities

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

At 31 December 2022

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Reportable segment assets	2,739	6,036	982	9,757
Reportable segment liabilities	2,160	784	470	3,414

At 31 December 2021

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Reportable segment assets	2,403	6,847	965	10,215
Reportable segment liabilities	1,977	885	432	3,294

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

	Year ended 31 December	
	2022 HK$ million	2021 HK$ million
(Loss) profit before taxation		
Reportable segment results	151	461
Unallocated other income	1	–
Unallocated finance costs	(151)	(146)
Other unallocated corporate expenses	(41)	(62)
Consolidated (loss) profit before taxation	(40)	253

5. Turnover and Segment Information (Continued)

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

	At 31 December	
	2022 HK$ million	2021 HK$ million
Assets		
Reportable segment assets	9,757	10,215
Elimination of inter-segment receivables	(662)	(637)
Other unallocated assets	14	4
Consolidated total assets	9,109	9,582

	At 31 December	
	2022 HK$ million	2021 HK$ million
Liabilities		
Reportable segment liabilities	3,414	3,294
Elimination of inter-segment payables	(662)	(637)
Unallocated liabilities		
– Bank borrowings	2,859	1,584
– Senior notes	–	1,227
– Taxation and others	565	580
Consolidated total liabilities	6,176	6,048

5. Turnover and Segment Information (Continued)

(d) Other segment information

At 31 December 2022

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Interests in joint ventures	3	37	74	114
Capital expenditure	56	10	27	93
Tax charges (credit)	93	(11)	–	82

At 31 December 2021

	Construction and maintenance HK$ million	Property HK$ million	Other businesses HK$ million	Total HK$ million
Interests in joint ventures	3	41	75	119
Capital expenditure	21	6	6	33
Tax charges (credit)	85	(7)	–	78

(e) Geographical information

The Group's current operations are mainly located in Hong Kong, Macau and Mainland China.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers*		Non-current assets**	
	2022 HK$ million	2021 HK$ million	2022 HK$ million	2021 HK$ million
Hong Kong	6,057	4,886	86	46
Macau	116	186	3	3
Mainland China	134	195	4,242	4,737
	6,307	5,267	4,331	4,786

* Revenue from external customers is attributed to countries/cities on the basis of geographical locations of the properties or operations.

** Non-current assets exclude financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, deferred tax assets and interests in joint ventures.

5. Turnover and Segment Information (Continued)

(f) Information about major customers

Included in external revenue arising from construction and maintenance of HK$6,032 million (2021: HK$4,936 million) is revenue of HK$2,954 million and HK$1,406 million, which arose from services provided to the Group's largest and second largest customers respectively (2021: HK$2,223 million and HK$1,087 million from the Group's largest and second largest customers respectively) each contributing over 10% of the total turnover of the Group.

6. Other Income, Other Gains and Losses

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

Note:

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

7. Finance Costs

	2022 HK$ million	2021 HK$ million
Interest on bank and other loans	144	65
Interest on senior notes	5	88
Interest on lease liabilities	2	1
Other borrowing costs	13	7
	164	161

8. Taxation

	2022 HK$ million	2021 HK$ million
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	92	85
Macau Complementary Tax	1	–
PRC Enterprise Income Tax	1	3
PRC Land Appreciation Tax	4	8
	98	96
Deferred taxation (note 29)	(16)	(18)
	82	78

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

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

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

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

Details of the deferred taxation are set out in note 29.

The tax charge for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss as follows:

	2022 HK$ million	2021 HK$ million
(Loss) profit before taxation	(40)	253
Tax at Hong Kong Profits Tax rate of 16.5% (2021: 16.5%)	(7)	42
Effect of share of profit of joint ventures	–	(1)
Effect of different tax rates on operations in other jurisdictions	(7)	(8)
PRC Land Appreciation Tax	4	8
Tax effect of PRC Land Appreciation Tax	(1)	(1)
Tax effect of expenses not deductible for tax purposes	81	43
Tax effect of income not taxable for tax purposes	(27)	(39)
Tax effect of tax losses not recognised	31	27
Reversal of deferred tax assets for unused tax losses	7	8
Overprovision of current taxation in prior year	–	(1)
Others	1	–
Tax charge for the year	82	78

9. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees

Directors and Chief Executives

The emoluments paid or payable to each of the six (2021: six) Directors were as follows:

For the year ended 31 December 2022

Name of Director	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Bonus* HK$'000	Retirement benefit scheme contributions HK$'000	2022 Total HK$'000
Mr. Lo Hong Sui, Vincent		10	–	–	–	10
Mr. Lee Chun Kong, Freddy		10	5,846	5,671	266	11,793
Ms. Lo Bo Yue, Stephanie	(a)	315	–	–	–	315
Ms. Li Hoi Lun, Helen	(b)	550	–	–	–	550
Mr. Chan Kay Cheung	(b)	595	–	–	–	595
Mr. William Timothy Addison	(b)	520	–	–	–	520
Total		2,000	5,846	5,671	266	13,783

For the year ended 31 December 2021

Name of Director	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Bonus* HK$'000	Retirement benefit scheme contributions HK$'000	2021 Total HK$'000
Mr. Lo Hong Sui, Vincent		10	–	–	–	10
Mr. Lee Chun Kong, Freddy		10	5,709	5,182	260	11,161
Ms. Lo Bo Yue, Stephanie	(a)	315	–	–	–	315
Ms. Li Hoi Lun, Helen	(b)	550	–	–	–	550
Mr. Chan Kay Cheung	(b)	595	–	–	–	595
Mr. William Timothy Addison	(b)	520	–	–	–	520
Total		2,000	5,709	5,182	260	13,151

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

Notes:

(a) Non-executive Director.

(b) Independent Non-executive Directors.

(c) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group, and the non-executive director's and independent non-executive directors' emoluments were for their services as directors of the Company.

(d) There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees (Continued)

Five Highest Paid Employees

Of the five highest paid individuals in the Group, one (2021: one) is Director of the Company whose emoluments are set out above. The emoluments of the remaining four (2021: four) highest paid employees were as follows:

	2022 HK$ million	2021 HK$ million
Salaries, bonuses and allowances	19	22
Retirement benefits scheme contributions	–	–
	19	22

The emoluments were within the following bands:

	2022 No. of employees	2021 No. of employees
HK$3,500,001 to HK$4,000,000	1	–
HK$4,000,001 to HK$4,500,000	1	2
HK$5,000,001 to HK$5,500,000	1	–
HK$5,500,001 to HK$6,000,000	1	–
HK$6,000,001 to HK$6,500,000	–	1
HK$7,000,001 to HK$7,500,000	–	1

10. (Loss) Profit for the Year

	2022 HK$ million	2021 HK$ million
(Loss) profit for the year has been arrived at after charging:		
Cost of sales (note):		
Cost of construction	5,293	4,239
Cost of properties sold	34	61
Cost of rendering services	174	164
Direct rental outgoings arising from investment properties	28	30
	5,529	4,494
Staff costs (including directors' emoluments) (note):		
Salaries, bonuses and allowances	805	720
Retirement benefits cost	42	42
	847	762
Depreciation and amortisation		
Depreciation of property, plant and equipment	15	16
Depreciation of right-of-use assets	37	27
Amortisation of other intangible assets	7	3
	59	46
Auditors' remuneration	4	4
Operating lease payments in respect of rented premises	2	2

Note:
Cost of sales includes HK$631 million (2021: HK$565 million) relating to staff costs, which is also included in the staff costs separately disclosed above.

11. (Loss) Earnings Per Share

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

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

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

12. Dividends

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

13. Investment Properties

	2022 HK$ million	2021 HK$ million
Fair value		
At the beginning of the year	4,719	4,720
Exchange adjustments	(395)	136
Additions	1	1
Disposals	(5)	(3)
Decrease in fair value recognised	(121)	(135)
At the end of the year	4,199	4,719

The investment properties are completed and situated in Mainland China.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties at 31 December 2022 and 31 December 2021 have been arrived at on the basis of valuations carried out on that date by Savills Valuation and Professional Services Limited, independent qualified professional valuer not connected to the Group, which have appropriate qualifications and recent experience in the valuation of similar properties in relevant locations.

In determining the fair value of the relevant properties, the Group engages the qualified external valuer to perform the valuation. The management of the Group works closely with the external valuer to establish the appropriate valuation techniques and inputs to the model. The management of the Company reports the findings of the valuation to the Directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties.

The valuations have been arrived by reference to direct comparison method as available in the market and where appropriate, on the basis of capitalisation of net income. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

There has been no change to the valuation technique during the year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

13. Investment Properties (Continued)

The major inputs used in the fair value measurement of investment properties and information about the fair value hierarchy at 31 December 2022 and 31 December 2021 are as follows:

Investment properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 1 – Shenyang Project Phase I retail portion and car parking spaces	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Capitalisation rate of retail portion, taking into account the capitalisation of rental income potential of retail portion, and prevailing market condition, of 6.25% (2021: 6.25%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 1, and vice versa
			Monthly market rent of retail portion, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB79-176 (2021: RMB79-175) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A significant increase in the monthly market rent used would result in a significant increase in fair value of property 1, and vice versa
		Direct Comparison Approach The key input is market price	Market price of car parking spaces, taking into account the time and location between the comparables and the property, of RMB250,000 (2021: RMB250,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 1 and vice versa
Property 2 – Chongqing Creative Concepts Center retail portion and car parking spaces	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Capitalisation rate of retail portion, taking into account the capitalisation of rental income potential of retail portion, and prevailing market condition, of 5.0% (2021: 5.0%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 2, and vice versa
			Monthly market rent of retail portion, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB91-227 (2021: RMB91-228) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A significant increase in the monthly market rent used would result in a significant increase in fair value of property 2, and vice versa
		Direct Comparison Approach The key input is market price	Market price of car parking spaces, taking into account the time and location between the comparables and the property, of RMB170,000 (2021: RMB170,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 2 and vice versa

13. Investment Properties (Continued)

Investment properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 3 – Guangzhou Parc Oasis car parking spaces	Level 3	Direct Comparison Approach The key input is market price	Market price, taking into account the time and location between the comparables and the property, of RMB330,000 (2021: RMB330,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 3 and vice versa
Property 4 – Chengdu Centropolitan retail portion, office and car parking spaces	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Capitalisation rate of properties other than car parking spaces, taking into account the capitalisation of rental income potential of properties other than car parking spaces, and prevailing market condition, of 4.25%-5.00% (2021: 4.25%-5.00%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 4, and vice versa
			Monthly market rent of properties other than car parking spaces, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB85-190 (2021: RMB85-196) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A significant increase in the monthly market rent used would result in a significant increase in fair value of property 4, and vice versa
		Direct Comparison Approach The key input is market price	Market price of car parking spaces, taking into account the time and location between the comparables and the property, of RMB136,000 (2021: RMB160,000) per space	The higher the market price, the higher the fair value	A significant increase in the market price used would result in a significant increase in fair value of property 4 and vice versa
Property 5 – Tianjin Veneto Phase 1	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.5% (2021: 6.5%)	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant decrease in fair value of property 5, and vice versa
			Monthly market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB23-93 (2021: RMB24-94) per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A significant increase in the monthly market rent used would result in a significant increase in fair value of property 5, and vice versa

14. Property, Plant and Equipment

	Properties in other regions of the PRC	Plant and machinery	Motor vehicles	Equipment, furniture and other assets	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At cost					
At 1 January 2021	1	1	21	130	153
Additions	–	–	5	5	10
Disposals	–	(1)	(3)	(5)	(9)
Exchange adjustments	–	–	–	2	2
At 31 December 2021	1	–	23	132	156
Additions	–	–	4	15	19
Disposals	–	–	(3)	(4)	(7)
Exchange adjustments	–	–	–	(5)	(5)
At 31 December 2022	**1**	**–**	**24**	**138**	**163**
Accumulated depreciation and impairment					
At 1 January 2021	–	1	11	102	114
Charge for the year	–	–	5	11	16
Eliminated on disposals	–	(1)	(3)	(4)	(8)
Exchange adjustments	–	–	–	1	1
At 31 December 2021	–	–	13	110	123
Charge for the year	–	–	4	11	15
Eliminated on disposals	–	–	(2)	(4)	(6)
Exchange adjustments	–	–	–	(4)	(4)
At 31 December 2022	**–**	**–**	**15**	**113**	**128**
Carrying values					
At 31 December 2022	**1**	**–**	**9**	**25**	**35**
At 31 December 2021	1	–	10	22	33

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Properties in other regions of the PRC (all of which are buildings located on land held under medium-term leases)	2.5% or remaining lease term, if shorter
Plant and machinery	10 – 25%
Motor vehicles, equipment, furniture and other assets	20 – 50%

15. Interests in Joint Ventures

(i) Joint ventures

	2022 HK$ million	2021 HK$ million
Cost of unlisted investments in joint ventures, net of impairment	**316**	316
Share of post-acquisition losses and other comprehensive income	**(202)**	(197)
	114	119

Particulars of the principal joint ventures are set out in note 40.

The summarised financial information in respect of the joint ventures that are not individually material to the Group at and for each of the years ended 31 December 2022 and 31 December 2021 attributable to the Group's interest is as follows:

	2022 HK$ million	2021 HK$ million
(Loss) profit after tax	**(2)**	8
Total comprehensive (expense) income	**(2)**	8

The Group has discontinued recognition of its share of loss of a joint venture in Nanjing because the Group's share of losses of this joint venture in previous years has exceeded its investment cost. The amounts of the unrecognised share of losses of the joint venture, both for the year and cumulatively, are as follows:

	2022 HK$ million	2021 HK$ million
Unrecognised share of loss of the joint venture for the year	**(4)**	(4)
Accumulated unrecognised share of losses of the joint venture	**(61)**	(57)

(ii) Joint operations

The Group's joint operation, China State – Shui On Joint Venture, was formed for the design and construction of the Centre of Excellence in Paediatrics in Hong Kong. The Group has a 40% interest in this joint operation, which was set up and operating in Hong Kong.

16. Financial Asset at Fair Value Through Other Comprehensive Income

	2022 HK$ million	2021 HK$ million
Financial asset at fair value through other comprehensive income		
Listed equity securities in Hong Kong (note)	30	31

Note:

The above listed equity securities represent the Group's equity interest in Shui On Land Limited ("SOL") and they are classified as level 1 fair value measurement and is derived from quoted market price. At 31 December 2022, the Group held a 0.4% (2021: 0.4%) equity interest in SOL.

17. Financial Assets at Fair Value Through Profit or Loss

	2022 HK$ million	2021 HK$ million
Financial assets at fair value through profit or loss		
Unlisted equity investment (note a)	2	2
Venture capital fund (note b)	4	–
	6	2

Notes:

(a) This represents the Group's investment in preferred shares of a private entity incorporated in the Cayman Island.

(b) This represents the Group's investment in a venture capital fund as a limited partner. The Group subscribed for certain interests as passive investor in the fund for a term of 10 years. During the year ended 31 December 2022, the Group paid US$0.6 million (approximately HK$5 million) to the fund and it has uncalled capital commitments of US$1.9 million (approximately HK$15 million) in accordance with the subscription agreement (note 31).

(c) Details of the fair value hierarchy of these financial assets at fair value through profit or loss are set out in note 36(d).

18. Amounts due from/to Joint Ventures

	2022 HK$ million	2021 HK$ million
Amounts due from joint ventures (note a)	68	81
Amounts due to joint ventures (note b)	149	150

Notes:

(a) The balances are unsecured, interest-free and repayable on demand. In the opinion of the Directors of the Company, the balances will be recoverable in the next twelve months from the end of the reporting period.

(b) The balances are unsecured and repayable on demand. Out of the total balance, a total of HK$55 million (2021: HK$60 million) bear interest at 4.35% per annum (2021: 4.35%) and the rest is interest-free.

19. Properties held for Sale/Properties under Development for Sale

The properties held for sale and properties under development for sale are situated in Mainland China.

	2022 HK$ million	2021 HK$ million
Properties held for sale	664	757
Properties under development for sale (note a)	169	185

Notes:

(a) Properties under development for sale of nil at 31 December 2022 (2021: HK$114 million) represent the carrying value of the properties expected to be completed and available for sale after one year from the end of the reporting period.

(b) The leasehold land element cannot be allocated in proportion to the relative carrying amounts and the entire properties are classified as properties held for sale or properties under development for sale.

20. Other Current Assets

Debtors, deposits and prepayments

	2022 HK$ million	2021 HK$ million
Trade debtors (note b)		
Construction contracts	435	408
– Sales of goods	4	4
– Rendering of services	30	28
– Operating lease receivables	14	11
	483	451
Less: Allowance for credit losses	(8)	(8)
	475	443
Prepayments and deposits	265	186
Consideration receivable in respect of disposal of an associate (note c)	29	32
Other receivables (note d)	727	733
Less: Allowance for credit losses	(22)	(4)
	1,474	1,390

20. Other Current Assets (Continued)

Debtors, deposits and prepayments (Continued)

Notes:

(a) The Group maintains a defined credit policy to assess the credit quality of each counterparty. Collections are closely monitored to minimise any credit risk associated with trade debtors. The general credit term ranges from 30 to 90 days.

(b) At 1 January 2021, 31 December 2021 and 31 December 2022, trade debtors from contracts with customers amounted to HK$672 million, HK$440 million and HK$469 million respectively.

(c) The balance carries interest at 15% per annum.

(d) Included in other receivables are receivables of HK$529 million (2021: HK$528 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$134 million (2021: HK$147 million) carries interest at prevailing market rates. A court in the PRC issued notices to attach the aforesaid property interest to cause the Debtor to settle part of the onshore outstanding receivables in the amount of RMB318 million (approximately HK$356 million) (2021: RMB318 million (approximately HK$389 million)) and its related interest. In addition to these receivables, the Company has provided a guarantee in relation to a loan granted to the Debtor (see note 34(a)). Given that there have been continued positive outcomes in the legal disputes in relation to the property interest and recovery of the outstanding receivables, including the successful registration of title deed of the property under the name of the Debtor in May 2015, the Directors of the Company believe that these receivables will be fully settled and the guarantee provided by the Company will be fully released either through the public auction of the aforesaid property interest or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

The following is an aged analysis of trade debtors (based on the repayment terms set out in sale and purchase agreements or invoice date, as appropriate) net of allowance for credit losses at the end of the reporting period:

	2022 HK$ million	2021 HK$ million
Trade debtors aged analysis:		
Not yet due or within 90 days	462	438
Amounts past due but not impaired:		
91 days to 180 days	10	2
181 days to 360 days	1	2
Over 360 days	2	1
	13	5
	475	443

Movement in the allowance for credit losses under life time ECL:

	2022 HK$ million	2021 HK$ million
Balance at the beginning of the year	8	6
Increase in provision recognised for the year	–	2
Balance at the end of the year	8	8

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

No provision for impairment is considered necessary in respect of the amounts past due but not impaired as there has not been a significant change in credit quality and balances are still considered fully recoverable.

Details of impairment assessment of trade debtors and other receivables for the year ended 31 December 2022 are set out in note 36.

Bank balances, deposits and cash

Bank balances, deposits and cash comprise cash held by the Group and deposits carry interest at market rates with original maturity of three months or less held with banks.

21. Restricted Bank Deposits

Balance at 31 December 2022 represent custody deposits amounting to HK$365 million (2021: HK$388 million) placed with banks mainly in relation to certain banking facilities of the Group.

The deposits carried interest at market rates, which ranged from approximately 0.63% to 2.03% (2021: 0.01% to 2.03%) per annum.

22. Contract Assets and Contract Liabilities

(i) Contract assets

	2022 HK$ million	2021 HK$ million
Relating to construction contracts (note)	**764**	665

At 1 January 2021, contract assets amounted to HK$665 million.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date on construction. The contract assets are transferred to trade debtors when the rights become unconditional.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group also typically agrees to one to two years retention period for 1% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment become unconditional upon expiration of the defects liability period.

Note:

At 31 December 2022, the amount of contract assets that is expected to be recovered after more than one year is HK$69 million (2021: HK$45 million), all of which relates to retention receivable.

(ii) Contract liabilities

	2022 HK$ million	2021 HK$ million
Relating to property sales	**14**	21
Relating to construction contracts	**21**	–
	35	21

The Group receives a fixed sum as deposits from customers from property sales when they sign the sale and purchase agreement. These deposits are recognised as contract liabilities until the customers obtain control of the completed properties.

When the Group receives a deposit before construction services is rendered, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

22. Contract Assets and Contract Liabilities (Continued)

(ii) Contract liabilities (Continued)

Movements in contract liabilities:

	2022 HK$ million	2021 HK$ million
Balance at the beginning of the year	**21**	41
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(7)**	(42)
Increase in contract liabilities as a result of receiving deposits in respect of:		
– property sales	**–**	21
– construction contracts	**21**	–
Exchange adjustments	**–**	1
Balance at the end of the year	**35**	21

23. Amounts due from/to Related Companies

	2022 HK$ million	2021 HK$ million
Amounts due from related companies (notes a and b)	**18**	47
Amounts due to related companies (notes a and b)	**44**	42

Notes:

(a) The related companies are subsidiaries of SOCL.

(b) The balances are unsecured, interest-free and repayable on demand.

24. Creditors and Accrued Charges

The aged analysis of creditors (based on invoice date) of HK$649 million (2021: HK$414 million), which are included in the Group's creditors and accrued charges, is as follows:

	2022 HK$ million	2021 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	552	372
31 days to 90 days	77	20
91 days to 180 days	6	9
Over 180 days	14	13
	649	414
Retention payable (note b)	262	285
Provision for contract work/construction cost	1,124	1,224
Other accruals and payables	239	262
	2,274	2,185

Notes:

(a) The average credit period on purchases of certain goods is 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

(b) The balances include retention payable of HK$138 million (2021: HK$126 million), which is due after one year from the end of the reporting period.

25. Bank Borrowings

	2022 HK$ million	2021 HK$ million
Secured bank borrowings	905	1,004
Unsecured bank borrowings	2,147	814
	3,052	1,818
Less: Amounts due within 12 months	(1,624)	(934)
Amounts due for settlement after 12 months	1,428	884
Carrying amount repayable:		
Within one year	1,624	934
More than one year but not exceeding two years	38	762
More than two years but not exceeding five years	1,390	81
More than five years	–	41
	3,052	1,818

25. Bank Borrowings (Continued)

The carrying amounts of the Group's bank borrowings are analysed as follows:

Denominated in	Interest rate at end of the year (per annum)	2022 HK$ million	2021 HK$ million
At variable rates			
Hong Kong dollars	5.35% to 8.10% (2021: 1.10% to 3.41%)	2,781	1,506
Renminbi	4.55% to 5.60% (2021: 4.90% to 5.75%)	193	234
United States dollars	5.30% (2021: 1.10%)	78	78
		3,052	1,818

The variable interest rates are linked to Hong Kong Interbank Offered Rate ("HIBOR"), Secured Overnight Financing Rate ("SOFR") and prevailing Loan Prime Rate ("LPR") published by the People's Bank of China.

Notes:

1. The Group's investment properties amounting to HK$3,099 million (2021: HK$3,453 million) were pledged as security for certain banking facilities granted to the Group at the end of the reporting period.
2. Restricted bank deposits amounting to HK$365 million at 31 December 2022 (2021: HK$387 million) were placed with banks in relation to certain banking facility arrangements entered into with the Group.
3. In addition, certain equity interests in some subsidiaries were also charged to banks as security for certain banking facilities granted to the Group at the end of the reporting period.
4. In respect of certain bank borrowings with carrying amount of HK$2,676 million at 31 December 2022 (2021: HK$1,426 million), the Group is required to comply with certain covenants throughout the continuance of the relevant borrowings and/or as long as the borrowings are outstanding. The Group has complied with these covenants throughout the reporting period.

26. Senior Notes

	2022 HK$ million	2021 HK$ million
At the beginning of the year	1,227	1,258
Interests charged during the year	5	88
Less: Discount on buy-back of senior notes	–	(1)
Less: Interest payable reclassified to other payables	(5)	(79)
Less: Buy-back of senior notes	–	(46)
Less: Repayment of senior notes	(1,227)	–
Exchange adjustments	–	7
	–	1,227

The senior notes, together with interest accrued thereon, were fully repaid upon its maturity in January 2022.

27. Share Capital

	2022 Number of shares	2021 Number of shares	2022 HK$ million	2021 HK$ million
Ordinary shares of HK$1 each:				
Authorised				
At the beginning and the end of the year	1,000,000,000	1,000,000,000	1,000	1,000
Issued and fully paid				
At the beginning of the year	374,396,164	374,396,164	374	374
Shares repurchased and cancelled	(790,000)	–	(1)	–
At the end of the year	373,606,164	374,396,164	373	374

During the year, the Company repurchased 790,000 of its own shares on the Stock Exchange at prices ranging from HK$1.18 to HK$1.29 per share, for a total consideration of approximately HK$1.0 million. The repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of the repurchased shares.

The Company had repurchased 154,000 of its own shares amounting to HK$0.2 million through the Stock Exchange, which have not yet been cancelled at 31 December 2022. The shares were subsequently cancelled in January 2023.

The repurchase was effected by the Directors with a view to benefiting the shareholders as a whole by accreting the Group's net asset value per share.

No new shares were issued during the year.

28. Retirement Benefit Plans

Hong Kong

The Group participates in both a defined benefit scheme (the "Scheme"), which is registered under the Occupational Retirement Schemes Ordinance and a Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme and established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the Scheme or switching to the MPF Scheme. All employees joining the Group on or after 1 December 2000 have been required to join the MPF Scheme.

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay long service payment ("LSP") to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "Eligible Offset Amount"), for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement'). The LSP obligation, if any, is presented on a net basis.

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment will come into effect prospectively from a date to be determined by the HKSAR Government, which is expected to be in 2025 (the "Transition Date"). Under the amended Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date.

Mandatory Provident Fund Scheme

For members of the MPF Scheme, contributions are made by the employee at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employee's salary, depending on the employee's length of service with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated statement of profit or loss as staff cost during the year amounted to HK$28 million (2021: HK$27 million). The amount of employer's voluntary contributions to the MPF Scheme forfeited for the years ended 31 December 2022 and 31 December 2021 was immaterial and was used to reduce the existing level of contributions.

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme

Contributions to the Scheme are made by the members at 5% of their salaries and by the Group at rates, which are based on recommendations made by the actuary to the Scheme. The employer contribution rate for the year ended 31 December 2022 was 9% (2021: 5%) of the members' salaries. Under the Scheme, a member is entitled to retirement benefits, which comprise the sum of any benefits transferred from another scheme and the greater of the sum of the employer's scheduled contribution plus the member's contribution (both contributions being calculated on the scheme salary of the member) accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the years of service in the Scheme on the attainment of the retirement age of 60. For members who joined the Scheme before 1997, the retirement age is 60 for male members and 55 for female members.

The Scheme typically exposes the Company to the following key risks:

- Investment risk

  Strong investment returns tend to increase the fair value of Scheme assets and therefore improve the Scheme's financial position as measured by the net defined benefit liability/asset, whilst poor or negative investment returns tend to weaken the position.

  The members' balances are credited with 6% per annum and 1% per annum interest to pre and post 1 September 2003 balances respectively. Therefore, investment returns are expected to cover the interest to be credited to members' balances over the long term.

  The Scheme assets are invested in a diversified portfolio of equities, hedge funds, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location helps to reduce the concentration of risk associated with the Scheme investments.

- Interest rate risk

  The defined benefit obligation is calculated using a discount rate based on market bond yields. A decrease in the bond yields will increase the defined benefit obligation.

- Salary risk

  The defined benefit obligation is calculated with reference to the future salaries of members because the Scheme's benefits are salary-related. Salary increases that are higher than expected will increase the defined benefit obligation.

The most recent actuarial valuations of the Scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2022 by Ms. Elaine Hwang of Willis Towers Watson, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

The principal actuarial assumptions used at the end of the reporting periods are as follows:

	2022	2021
Discount rate	3.7%	1.1%
Expected rate of salary increase	2.5% p.a.	2.0% p.a.

The actuarial valuation shows that the fair value of the Scheme assets attributable to the Group at 31 December 2022 was HK$210 million (2021: HK$303 million), representing 68% (2021: 83%) of the benefits that has accrued to members.

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income for the year in respect of the Scheme are as follows:

	Year ended 31 December	
	2022 HK$ million	2021 HK$ million
Current service cost	8	9
Net interest on net defined benefit liabilities	1	–
Administrative expenses paid from scheme assets	1	2
Defined benefit cost recognised in the consolidated statement of profit or loss	10	11
Actuarial loss due to experience adjustment	8	1
Actuarial gain due to financial assumption changes	(33)	(7)
Return on Scheme assets less than discount rate	60	46
Remeasurement effects recognised in the consolidated statement of other comprehensive income	35	40
Total	45	51

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of the Scheme is as follows:

	2022 HK$ million	2021 HK$ million
Present value of defined benefit obligation	(310)	(366)
Fair value of Scheme assets	210	303
Defined benefit liabilities included in the consolidated statement of financial position	(100)	(63)

The Scheme assets do not include any shares in the Company (2021: nil).

Movements of the present value of defined benefit obligation are as follows:

	2022 HK$ million	2021 HK$ million
At the beginning of the year	366	414
Current service cost	8	9
Interest cost	4	2
Employees' contributions	4	4
Actuarial loss – experience adjustment	8	1
Actuarial gain – financial assumptions	(33)	(7)
Benefits paid	(42)	(59)
Transfer (out) in	(5)	2
At the end of the year	310	366

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

Movements of the present value of Scheme assets are as follows:

	2022 HK$ million	2021 HK$ million
At the beginning of the year	303	398
Interest income on Scheme assets	3	1
Return on scheme assets less than discount rate	(60)	(46)
Employers' contributions	8	5
Employees' contributions	4	4
Benefits paid	(42)	(59)
Transfer (out) in	(5)	2
Administrative expenses paid from scheme assets	(1)	(2)
At the end of the year	210	303

The major categories of Scheme assets of total Scheme assets are as follows:

	2022 HK$ million	2021 HK$ million
Equities	126	203
Bonds	76	91
Cash and others	8	9
	210	303

The fair value of the Scheme assets is determined based on quoted market price in active market.

28. Retirement Benefit Plans (Continued)

Hong Kong (Continued)

Defined Benefit Scheme (Continued)

The below tables summarise the results of sensitivity analysis on the defined benefit obligation ("DBO"), based on reasonably possible changes in significant actuarial assumptions.

	Adopted rate	Change to Adopted rate	Rate used in sensitivity analysis	Effect on DBO	Effect on DBO
				HK$ million	%
At 31 December 2022					
Discount rate	3.7%	+0.25%	3.95%	(3)	(1.1%)
		-0.25%	3.45%	3	1.1%
Expected rate of salary increase	2.5%	+0.25%	2.75%	3	1.0%
		-0.25%	2.25%	(3)	(1.0%)
At 31 December 2021					
Discount rate	1.1%	+0.25%	1.35%	(5)	(1.2%)
		-0.25%	0.85%	5	1.3%
Expected rate of salary increase	2.0%	+0.25%	2.25%	4	1.1%
		-0.25%	1.75%	(4)	(1.1%)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The expected contributions to the Scheme during the next financial year are as follows:

	2022	2021
	HK$ million	HK$ million
Expected employer contributions	71	7
Expected member contributions	4	4

The weighted average duration of the defined benefit obligation at 31 December 2022 is 4.4 years (2021: 4.9 years).

28. Retirement Benefit Plans (Continued)

PRC

The employees of the Company's subsidiaries in the PRC are members of state-managed retirement plans operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement plans to fund the benefits. The only obligation of the Group with respect to the retirement plans is to make the specified contributions. The Group's contributions to state-managed retirement plans charged to the consolidated statement of profit or loss as staff cost during the year amounted to HK$4 million (2021: HK$4 million).

No other post-retirement benefits are provided to the employees of the Group.

29. Deferred Taxation

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Total
	HK$ million	HK$ million	HK$ million	HK$ million
At 1 January 2021	(2)	(384)	65	(321)
Exchange adjustments	–	(10)	2	(8)
Credit (charge) to consolidated statement of profit or loss	–	27	(9)	18
At 31 December 2021	(2)	(367)	58	(311)
Exchange adjustments	–	29	(4)	25
Credit (charge) to consolidated statement of profit or loss	–	23	(7)	16
At 31 December 2022	(2)	(315)	47	(270)

29. Deferred Taxation (Continued)

For the purposes of the consolidated statement of financial position presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 HK$ million	2021 HK$ million
Deferred tax assets	2	–
Deferred tax liabilities	(272)	(311)
	(270)	(311)

Notes:

(a) At 31 December 2022, the Group had unused tax losses of HK$1,946 million (2021: HK$1,974 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK$189 million (2021: HK$230 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$1,757 million (2021: HK$1,744 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2022 are tax losses of approximately HK$445 million (2021: HK$552 million) that will expire within 5 years from the year of originating. Other tax losses may be carried forward indefinitely.

(b) Under the tax regulations of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Group's PRC investees from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to profits earned by the Company's PRC subsidiaries amounting to HK$630 million at 31 December 2022 (2021: HK$688 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. Lease Arrangements

As lessee

The Group leases certain office properties. Leases are negotiated for lease terms ranging from one to three years.

Information about leases for which the Group is a lessee is presented below.

(a) Right-of-use assets

	2022 HK$ million	2021 HK$ million
At the beginning of the year	24	29
Depreciation	(37)	(27)
Acquisition of a subsidiary	1	–
Additions	73	22
Disposals	(6)	–
At the end of the year	55	24

30. Lease Arrangements (Continued)

As lessee (Continued)

(b) Amounts recognised in profit or loss

	2022 HK$ million	2021 HK$ million
Depreciation of right-of-use assets	37	27
Interest on lease liabilities	2	1
Expenses relating to short-term leases	2	2

(c) Amounts recognised in statement of cash flows

	2022 HK$ million	2021 HK$ million
Total cash outflow for leases	38	28

As lessor

The Group leases out its investment properties and all leases are classified as operating leases. Rental income from the Group's investment properties during the year ended 31 December 2022 was HK$74 million (2021: HK$85 million), of which contingent rental income was HK$6 million (2021: HK$8 million).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 HK$ million	2021 HK$ million
Within one year	60	70
After one year but within two years	42	57
After two years but within three years	31	39
After three years but within four years	24	31
After four years but within five years	18	24
After five years	65	79
	240	300

31. Capital Commitments

At 31 December 2022, the Group had uncalled capital commitments relating to the venture capital fund amounting to US$1.9 million (approximately HK$15 million) (note 17(b)) (2021: HK$37 million in respect of acquisition of a subsidiary).

32. Share-based Payments

On 22 August 2012, the Company adopted a share option scheme (the "Existing Scheme"), which has a life of 10 years until 21 August 2022, to replace the share option scheme adopted on 27 August 2002 (the "Old Scheme") 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.

All the share options granted under the Existing Scheme and the Old Scheme had lapsed in 2018 and 2021 respectively, with no further share option granted under the Existing Scheme. Therefore, no considerations were received by the Company for taking up any share option during the years ended 31 December 2022 and 2021.

In addition, no expense was recognised for the year ended 31 December 2022 (2021: nil) in relation to share options granted by the Company.

33. Acquisition of a subsidiary

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

The following table summarised the consideration paid, fair value of the assets acquired and liabilities assumed at the acquisition date:

	HK$ million
Recognised amounts of identifiable assets acquired and liabilities assumed	
Other intangible assets	30
Right-of-use assets	1
Debtors, deposits and prepayments	8
Contract assets	1
Inventory	1
Bank balances, deposits and cash	6
Creditors and accrued charges	(3)
Lease liabilities	(1)
Taxation payable	(1)
Total identifiable net assets	42
Goodwill arising on acquisition	
Cash consideration	36
Fair value of the net assets acquired	(42)
Non-controlling interests	15
Goodwill arising on acquisition	9
Net cash outflow arising on acquisition	
Cash consideration paid	(36)
Bank balances, deposits and cash acquired	6
	(30)

33. Acquisition of a subsidiary (Continued)

The fair value of the receivables at the date of acquisition amounted to approximately HK$8 million. The gross contractual amounts of those receivables acquired amounted to approximately HK$9 million, of which HK$1 million is expected to be uncollectible.

The non-controlling interests (35%) in Welpro recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Welpro and amounted to approximately HK$15 million.

The acquisition-related costs have been charged to other expenses and were not material to the Group.

The goodwill arising on acquisition is primarily attributed to the benefit of expected synergies, future market development and the assembled workforce of Welpro. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Turnover of HK$31 million included in the consolidated statement of profit or loss since the date of acquisition to 31 December 2022 was contributed by Welpro. Welpro also contributed net profit of HK$10 million over the same period.

Had the acquisition been completed on 1 January 2022, total Group's turnover and profit attributable to owners of the Company for the year would have no material difference. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

34. Contingent Liabilities

At 31 December 2022, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

(a) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of 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 20(d) for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee to October 2023, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$607 million) (2021: RMB542 million (HK$663 million)) and the related interest amounting to RMB748 million (HK$837 million) (2021: RMB681 million (HK$833 million)) are secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

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

34. Contingent Liabilities (Continued)

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

35. Material Related Party Transactions

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

Nature of transactions	**2022** **HK$ million**	2021 HK$ million
Dividend income	**4**	1
Management and information system services income	**1**	1
Revenue from property management services	**6**	8
Disbursements on cost basis for costs and expenses incurred in the course of performing the property management services	**11**	–
Revenue from installation works of electronic display	**3**	–
Revenue from maintenance/renovation works	**9**	–
Revenue from smart facilities management services	**1**	–
Rental expenses	**3**	1

The outstanding balances with SOCL Private Group at the end of the reporting period are disclosed in note 23.

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

Nature of transactions	**2022** **HK$ million**	2021 HK$ million
Interest expenses	**11**	11
Subcontracting work expenses	**–**	3

The outstanding balances with joint ventures at the end of the reporting period are disclosed in note 18.

(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.

35. Material Related Party Transactions (Continued)

(d) Disclosures of the remuneration of Directors and other members of key management during the year under HKAS 24 "Related Party Disclosures", were as follows:

	2022 HK$ million	2021 HK$ million
Fees	2	2
Salaries and other benefits	20	22
Performance bonuses	15	18
Retirement benefit scheme contributions	1	1
	38	43

The remuneration of Executive Directors is determined by the Remuneration Committee having regard to the performance of each individual. The Remuneration Committee also determines the guiding principles applicable to the remuneration of key executives who are not Directors. In both cases, the Remuneration Committee has made reference to market trends.

Certain of the above related party transactions also constituted non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules, details of which are disclosed under the Directors' Report section.

36. Financial Instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. There has been no change in the Group's exposure to capital risk or the manner in which it manages and measures the risk.

The capital structure of the Group consists of debts, which include bank borrowings and senior notes, and equity attributable to the owners of the Company, comprising issued share capital, reserves and accumulated losses.

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will adjust its overall capital structure through the issue of new shares, new debt or the redemption of existing debt.

36. Financial Instruments (Continued)

(b) Categories of financial instruments

	2022 HK$ million	2021 HK$ million
Financial assets		
At fair value through other comprehensive income	30	31
At fair value through profit or loss	6	2
At amortised cost	3,005	3,019
Financial liabilities		
At amortised cost	4,189	4,016

(c) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, debtors, amounts due from joint ventures and related companies, restricted bank deposits, bank balances, deposits and cash, creditors, amounts due to joint ventures and related companies, lease liabilities, senior notes and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

The Group is exposed primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk. Details of each type of market risk are described as follows:

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and variable-rate borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk but would consider doing so in respect of significant exposure should the need arise.

The Group is also exposed to interest-bearing financial assets.

The Group's exposure to interest rates on bank deposits and financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, SOFR and LPR arising from the Group's borrowings.

36. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Interest rate risk (Continued)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for variable-rate borrowings. No sensitivity analysis is performed for bank deposits as the management considered the risk is immaterial. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. An increase or decrease of 100 basis points (2021: 100 basis points) is used when reporting the interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been increased/decreased by 100 basis points (2021: 100 basis points) and all other variables were held constant, the Group's post-tax profit/loss for the year would decrease/increase by approximately HK$31 million (2021: HK$18 million). In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

(ii) Foreign currency risk

Most of the Group's financial assets and financial liabilities are denominated in Hong Kong dollars or Renminbi, which are the same as the functional currency of the relevant group entities. The Group has certain bank balances and cash, current accounts with joint ventures and borrowings, which are denominated in foreign currencies and hence exposure to exchange rate fluctuations arises. The Group currently manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and will take out currency hedging contracts to reduce its foreign currency risk, where appropriate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are as follows:

	2022 HK$ million	2021 HK$ million
Assets		
Renminbi	1,576	1,631
United States dollars	95	95
Hong Kong dollars	153	152
Liabilities		
United States dollars	78	1,305
Hong Kong dollars	937	921

36. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Foreign currency risk (Continued)

Foreign currency sensitivity

The Group's foreign currency risk is mainly concentrated on the fluctuation among Renminbi, the United States dollars and Hong Kong dollars. The sensitivity analysis does not include those United States dollars denominated assets and liabilities when they are held by group entities having Hong Kong dollars as their functional currency since the exchange rates between United States dollars and Hong Kong dollars are pegged.

The following table details the Group's sensitivity to a 7% (2021: 7%) change in the functional currencies of the relevant group entities against foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 7% (2021: 7%) change in foreign currency rates. The following table indicates the impact to the (loss) profit after tax where the foreign currencies strengthen against the functional currencies of the relevant group entities. For a 7% (2021: 7%) weakening of the foreign currencies against the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Decrease in loss/increase in profit	2022 HK$ million	2021 HK$ million
Renminbi	110	114
United States dollars	7	7
Hong Kong dollars	55	54

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity instruments at fair value through other comprehensive income. If the market price of the investments had been increased/decreased by 20% (2021: 20%), the Group's reserve at 31 December 2022 would increase/decrease by approximately HK$6 million (2021: HK$6 million).

36. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 34.

Trade debtors and contract assets arising from contracts with customers

In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances and contract assets. In this regard, the Directors of the Company consider that the credit risk is significantly reduced.

As part of the Group's credit risk management, the Group applies internal credit rating for its trade debtors and contract assets. The following table provides information about the exposure to credit risk for trade debtors and contract assets, which are assessed individually for debtors.

Gross carrying amount	Average loss rates	Trade debtors	Contract assets
Internal credit rating		HK$ million	HK$ million
At 31 December 2022			
Low risk (note a)	**0.22%**	**463**	**761**
Watch risk (note b)	**25.27%**	**–**	**5**
Loss (note c)	**100%**	**6**	**–**
At 31 December 2021			
Low risk (note a)	0.34%	430	667
Watch risk (note b)	34.34%	6	–
Loss (note c)	100%	4	–

The estimated loss rates are estimated based on actual loss experience over the past three years and are adjusted for forward-looking information that is available without undue cost or effort.

Notes:

(a) The counterparty has a low risk of default and does not have any past-due amounts.

(b) Debtor frequently repays after due dates but usually settle after due date.

(c) There is evidence indicating the asset is credit-impaired.

36. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables

In order to reduce credit risk, the Group has procedures in place to monitor the credit standing of the counterparty and to ensure that follow-up action is taken to recover these receivables. The Group makes periodic individual assessment on the recoverability of other receivables with reference to the historical default experience and forward-looking factors. The Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided allowance for credit losses was limited to 12m ECL.

In particular, the Group reviews the recoverable amount of the other receivable of HK$529 million (2021: HK$528 million) due from a counterparty and the probability of default by this counterparty and the loss given default at the end of each reporting period.

For the year ended 31 December 2022, the Group recognised loss allowance of HK$18 million (2021: HK$4 million) on other receivables after the assessment. Except as described above, the Directors of the Company considered that no allowance for credit losses in respect of these receivables is necessary at the end of the reporting period.

The Group has certain concentration of credit risk in respect of trade debtors and other receivables. At 31 December 2022, 36% (2021: 38%) of total trade debtors and other receivables was due from a counterparty. At 31 December 2022, other receivables of HK$529 million (2021: HK$528 million) were due from a counterparty and a guarantee on outstanding loan principal amounting to RMB542 million (HK$607 million) (2021: RMB542 million (HK$663 million)) and related interest amounting to RMB748 million (HK$837 million) (2021: RMB681 million (HK$833 million)) was issued by the Company in respect of a loan advanced to this counterparty. Except for the above, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Restricted bank deposits, bank balances and deposits

The credit risk on restricted bank deposits, bank balances and deposits are limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

Amounts due from joint ventures and related companies

With respect to credit risk arising from amounts due from joint ventures and related companies, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparties have sufficient future cash flows to repay its debts and a good history of repayment. The Group does not expect to incur a significant loss for uncollected amounts due from these joint ventures and related companies.

36. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the Group's contractual maturity for its financial liabilities as well as certain financial assets. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. For financial assets, the table reflects the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand or less than 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	% p.a.	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 31 December 2022							
Bank deposits	2.00%	378	–	–	–	378	375
Non-derivative financial liabilities							
Trade and other payables (note)	–	(999)	(138)	–	–	(1,137)	(1,137)
Bank borrowings at variable rate	7.20%	(1,812)	(129)	(1,406)	–	(3,347)	(3,052)
Lease liabilities	5.00%	(34)	(21)	(6)	–	(61)	(57)
		(2,467)	(288)	(1,412)	–	(4,167)	(3,871)
At 31 December 2021							
Bank deposits	1.99%	398	–	–	–	398	396
Non-derivative financial liabilities							
Trade and other payables (note)	–	(845)	(126)	–	–	(971)	(971)
Bank borrowings at variable rate	2.88%	(975)	(785)	(96)	(43)	(1,899)	(1,818)
Senior notes	6.25%	(1,232)	–	–	–	(1,232)	(1,227)
Lease liabilities	5.00%	(20)	(5)	(2)	–	(27)	(25)
		(2,674)	(916)	(98)	(43)	(3,731)	(3,645)

Note:

Trade and other payables represent trade creditors, amounts due to joint ventures and related companies and other payables.

36. Financial Instruments (Continued)

(c) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

At the end of the reporting period, the Group has provided a financial guarantee to an independent third party (note 34(a)). In the event of the failure of this party to meet his obligation under this facility, the Group may be required to pay up to the guaranteed amount of HK$1,444 million (2021: HK$1,496 million) upon demand. Management does not consider that it is probable for this party to claim the Group under this guarantee.

(d) Fair value measurements of financial instruments

The following table presents the Group's financial instruments that are measured at fair value at the end of the reporting period.

At 31 December 2022

	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Financial asset at fair value through other comprehensive income				
– Listed equity securities (note a)	30	–	–	30
Financial assets at fair value through profit or loss				
– Unlisted equity investment (note b)	–	2	–	2
– Venture capital fund (note c)	–	–	4	4
	30	2	4	36

At 31 December 2021

	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Financial asset at fair value through other comprehensive income				
– Listed equity securities (note a)	31	–	–	31
Financial asset at fair value through profit or loss				
– Unlisted equity investment (note b)	–	2	–	2
	31	2	–	33

Notes:

(a) The fair value of the listed equity securities was derived from unadjusted quoted prices available on the Stock Exchange (active market).

(b) The fair value of the unlisted equity investment was determined with reference to recent transactions of the investee's shares.

(c) The fair value of the venture capital fund investment was determined based on the net asset value of the venture capital fund with underlying assets and liabilities measured at fair value as reported by the general partner of the fund. The higher the net asset value, the higher the fair value.

(d) There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the year.

36. Financial Instruments (Continued)

(d) Fair value measurements of financial instruments (Continued)

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year ended 31 December 2022.

	2022 HK$ million	2021 HK$ million
Opening balance at 1 January	–	–
Acquisition	5	–
Fair value loss to profit or loss	(1)	–
Closing balance at 31 December	4	–

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The Directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

37. Reconciliation of Liabilities arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Advances from related companies HK$ million	Bank borrowings HK$ million	Senior notes HK$ million	Interest payable (included in other payables) HK$ million	Lease liabilities HK$ million	Dividends payable to non-controlling interests HK$ million	Total HK$ million
At 1 January 2021	28	1,815	1,258	53	30	–	3,184
Financing cash flows	–	(6)	(46)	(143)	(28)	(42)	(265)
New leases entered	–	–	–	–	22	–	22
Finance costs	–	–	88	72	1	–	161
Interest payable reclassified to other payables	–	–	(79)	79	–	–	–
Discount on buy-back of senior notes	–	–	(1)	–	–	–	(1)
Dividends payable to non-controlling interests	–	–	–	–	–	42	42
Exchange adjustments	1	9	7	–	–	–	17
At 31 December 2021	29	1,818	1,227	61	25	–	3,160
Financing cash flows	–	1,254	(1,227)	(165)	(38)	(51)	(227)
New leases entered	–	–	–	–	73	–	73
Early termination	–	–	–	–	(6)	–	(6)
Acquisition of a subsidiary	–	–	–	–	1	–	1
Finance costs	–	–	5	157	2	–	164
Interest payable reclassified to other payables	–	–	(5)	5	–	–	–
Dividends payable to non-controlling interests	–	–	–	–	–	51	51
Exchange adjustments	–	(20)	–	–	–	–	(20)
At 31 December 2022	29	3,052	–	58	57	–	3,196

38. Statement of Financial Position of the Company

	2022 HK$ million	2021 HK$ million
Non-current Assets		
Property, plant and equipment	7	7
Right-of-use assets	17	6
Interests in subsidiaries	7,307	7,573
Club memberships	1	1
	7,332	7,587
Current Assets		
Debtors, deposits and prepayments	310	295
Amounts due from subsidiaries	29	32
Financial asset at amortised cost	6	–
Bank balances, deposits and cash	39	20
	384	347
Current Liabilities		
Creditors and accrued charges	405	426
Lease liabilities	12	5
Amounts due to joint ventures	82	82
Amounts due to related companies	403	403
Bank borrowings	837	775
Senior notes	–	1,227
	1,739	2,918
Net Current Liabilities	(1,355)	(2,571)
Total Assets Less Current Liabilities	5,977	5,016
Capital and Reserves		
Share capital (note 27)	373	374
Reserves (note)	2,114	2,173
	2,487	2,547
Non-current Liabilities		
Bank borrowings	1,297	94
Lease liabilities	5	1
Amounts due to subsidiaries	2,088	2,311
Defined benefit liabilities	100	63
	3,490	2,469
	5,977	5,016

38. Statement of Financial Position of the Company (Continued)

Note: Movement of the Company's reserves are set out below:

	Share premium HK$ million	Contributed surplus HK$ million	(Accumulated losses)/ retained profits HK$ million	Share option reserve HK$ million	Actuarial gain and loss HK$ million	Other reserve HK$ million	Total HK$ million
At 1 January 2021	2,982	89	(1,140)	5	27	231	2,194
Profit for the year	–	–	19	–	–	–	19
Remeasurement of defined benefit scheme	–	–	–	–	(40)	–	(40)
Total comprehensive income (expense) for the year	–	–	19	–	(40)	–	(21)
Transfer upon lapse of share options	–	–	5	(5)	–	–	–
At 31 December 2021	2,982	89	(1,116)	–	(13)	231	2,173
Profit for the year	–	–	2	–	–	–	2
Remeasurement of defined benefit scheme	–	–	–	–	(35)	–	(35)
Total comprehensive income (expense) for the year	–	–	2	–	(35)	–	(33)
Share premium reduction	(2,982)	1,866	1,116	–	–	–	–
Dividends recognised as distribution	–	(26)	–	–	–	–	(26)
At 31 December 2022	–	1,929	2	–	(48)	231	2,114

39. Particulars of Principal Subsidiaries

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries at 31 December 2022 and 31 December 2021 which principally affect the results or assets of the Group. All the companies listed below were incorporated and are operating in Hong Kong except as otherwise indicated.

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Construction and maintenance business				
Shui On Contractors Limited*	200 shares of US$1 each	88.75% (Note 1)	–	Investment holding
P.D. (Contractors) Limited	1,000,000 ordinary shares (HK$1,000,000)	–	69.23% (Note 2)	Renovation work
Pacific Extend Limited	7,510,000 ordinary shares (HK$7,510,000) 6,000 special shares (HK$6,000)	–	68.34% (Note 3)	Maintenance contractor
Pat Davie Limited	33,000,000 ordinary shares (HK$33,000,000) 100,000 non-voting deferred shares (HK$1,000,000) 6,800,000 non-voting deferred shares (HK$6,800,000)	–	69.23% (Note 2)	Interior decoration, fitting out, design and contracting
Pat Davie (Macau) Limited##	Two quotas of total face value of MOP1,000,000	–	69.23% (Note 2)	Interior decoration, fitting out, design and contracting
Shui On Building Contractors Limited	117,000,100 ordinary shares (HK$117,000,100) 33,000,100 non-voting deferred shares (HK$33,000,100) 50,000 non-voting deferred shares (HK$50,000,000)	–	88.75% (Note 1)	Building construction and maintenance
Shui On Construction Company Limited	100 ordinary shares (HK$100) 69,000,000 non-voting deferred shares (HK$69,000,000) 1,030,000 non-voting deferred shares (HK$103,000,000)	–	88.75% (Note 1)	Building construction
Shui On Plant and Equipment Services Limited	16,611,000 ordinary shares (HK$16,611,000) 45,389,000 non-voting deferred shares (HK$45,389,000)	–	88.75% (Note 1)	Owning and leasing of plant and machinery and structural steel construction work
Shui On Facade Company Limited	4,000,000 ordinary shares (HK$4,000,000)	–	88.75% (Note 1)	Facade supply and Construction contract

39. Particulars of Principal Subsidiaries (Continued)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company		Principal activities
		Directly	Indirectly	
Construction and maintenance business (Continued)				
Welpro Technology Limited	2,700,000 ordinary shares (HK$2,700,000)	–	44.42% (Note 4)	Installation works of electronic display and provision of security systems
NetZo (HK) Limited	1 ordinary share (HK$1)	–	100%	Provision of smart facilities management solutions and services
Janus Services Limited	1 ordinary share (HK$1)	–	100%	Provision of building information modelling services
瓴喆智能科技(上海)有限公司**+	Registered capital of RMB20,000,000 and paid up capital of nil	–	100%	Provision of smart facilities management solutions and services
Property business				
New Rainbow Investments Limited*	1 share of US$1	100%	–	Investment holding
Brilliance Investments Limited*	1 share of US$1	100%	–	Investment holding
Main Zone Group Limited*	1 share of US$1	100%	–	Inactive
China Central Properties Limited^	281,193,011 shares of GBP0.01 each	57.12%	42.88%	Investment holding
Shui On China Central Properties Limited*	1 share of US$1	–	100%	Investment holding
Honest Joy Investments Limited*	100 shares of US$1 each	–	100%	Investment holding
Pacific Hill Limited	1 ordinary share (HK$1)	–	100%	Investment holding
Shui On Properties Management Services Limited	2 ordinary shares (HK$2)	–	100%	Investment holding

39. Particulars of Principal Subsidiaries (Continued)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company: Directly	Interest held by the Company: Indirectly	Principal activities
Property business (Continued)				
Pacific Extend Properties Management Limited	2 ordinary shares (HK$2)	–	100%	Provision of property management services
SOCAM Asset Management Limited*	1 share of US$1	100%	–	Investment holding
SOCAM Asset Management (HK) Limited	1 ordinary share (HK$1)	–	100%	Provision of management services
Cosy Rich Limited*	2 shares of US$1 each	–	100%	Investment holding
Win Lead Holdings Limited*	100 shares of US$1 each	–	100%	Investment holding
Dalian Shengyuan Real Estate Consulting Co., Ltd.**+	Registered and paid up capital of RMB50,000,000	–	100%	Investment holding
北京億達房地產開發有限公司**++ (Beijing Yida Real Estate Development Co., Ltd.)	Registered and paid up capital of RMB30,000,000	–	100%	Inactive
Chongqing Hui Zheng Properties Co., Ltd.**+	Registered and paid up capital of US$75,000,000	–	100%	Property development
Shenyang Hua Hui Properties Co. Ltd.**+	Registered and paid up capital of US$70,000,000	–	100%	Property development
廣州英發房地產開發有限公司**+ (Guangzhou Infotach Property Development Co., Ltd.)	Registered and paid up capital of US$10,000,000	–	100%	Property development
Beijing SOCAM Real Estate Consulting Co., Ltd.**+	Registered and paid up capital of RMB800,000	–	100%	Provision of consultancy services
Chengdu Xianglong Real Estate Co., Ltd.**+	Registered and paid up capital of RMB450,000,000	–	100%	Property development

39. Particulars of Principal Subsidiaries (Continued)

Subsidiaries	Issued and fully paid share capital/ registered and paid up capital	Interest held by the Company: Directly	Interest held by the Company: Indirectly	Principal activities
Property business (Continued)				
江蘇九西建設發展有限公司**+ (Jiangsu Jiu Xi Development Co., Ltd.)	Registered and paid up capital of RMB382,000,000	–	100%	Property development
天津市聖偉房地產開發有限公司**+ (Summer Great (Tianjin) Co., Ltd.)	Registered and paid up capital of US$5,000,000	–	100%	Property development and leasing of investment properties
嘉傑(天津)置業投資有限公司**++	Registered and paid up capital of RMB400,000,000	–	100%	Property development and leasing of investment properties
Other businesses				
Shui On Building Materials Limited	100 ordinary shares (HK$100) 1,000,000 non-voting deferred shares (HK$1,000,000)	–	100%	Investment holding
Tinsley Holdings Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Winway Holdings Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
貴州凱里瑞安水泥有限公司**+ (Guizhou Kaili Shui On Cement Co. Ltd.)	Registered and paid up capital of RMB60,000,000	–	100%	Inactive

* Incorporated in the British Virgin Islands
** Established and operated in Mainland China
*** Incorporated in Mauritius
Incorporated in Macau Special Administrative Region of the PRC
^ Incorporated in Isle of Man
+ Wholly foreign-owned enterprise
++ Limited liability company

None of the subsidiaries had any debt securities subsisting at 31 December 2022 or at any time during the year.

Notes:

1. The share interests held by the Group in these companies were increased from 85.50% to 88.75% during the year ended 31 December 2022.
2. The share interests held by the Group in these companies were decreased from 70.11% to approximately 69.23% during the year ended 31 December 2022.
3. The share interest held by the Group in this company was increased from 65.835% to approximately 68.34% during the year ended 31 December 2022.
4. An indirect non-wholly owned subsidiary of the Company acquired 65% equity interest in this company during the year ended 31 December 2022. Further details are disclosed in Note 33.

40. Particulars of Principal Joint Ventures

The Directors are of the opinion that a complete list of the particulars of all joint ventures will be of excessive length and therefore the following list contains only the particulars of principal joint ventures of the Group at 31 December 2022 and 31 December 2021. All the companies listed below were incorporated and are operating in Hong Kong except otherwise indicated.

Indirect joint ventures	Issued and paid up share capital/ registered and paid up capital	Interest held by the Group	Principal activities
Construction and maintenance business			
Super Race Limited	420,000 ordinary shares (HK$3,697,000)	50%	Supply of sink units and cooking benches
鶴山超合預制件有限公司**@ (Heshan Chaohe Yizhi Jian Co. Ltd.)	Registered and paid up capital of US$1,284,600	50%	Manufacture of sink units and cooking benches
Other businesses			
The Yangtze Ventures Limited#	1,000 ordinary shares of HK$0.1 each	65.5%	Inactive
貴州遵義瑞安水泥有限公司**@ (Guizhou Zunyi Shui On Cement Co. Ltd.)	Registered and paid up capital of RMB92,000,000	80%	Inactive
Nanjing Jiangnan Cement Co., Ltd.**@	Registered and paid up capital of RMB120,000,000	25.2%	Inactive

** Established and operated in Mainland China

Incorporated in the Cayman Islands

@ Equity joint venture

Note:

The Group and the other joint venturers are contractually agreed sharing of control and have rights to the net assets of these entities. The decisions about the relevant activities of these entities require unanimous consent of the Group and the other joint venturers. Accordingly, the Directors consider they are joint ventures.

The end of the consolidated financial statements.

The statement below from the Company does not form part of the consolidated financial statements:

Readers of these consolidated financial statements are strongly encouraged to read the Management Discussion and Analysis section set out in this annual report, which does not form part of the consolidated financial statements, to gain a fuller appreciation of the Group's financial results and situation in the context of its activities.

GROUP FINANCIAL SUMMARY

1. Results

	Year ended 31 December				
	2018 HK$ million	2019 HK$ million	2020 HK$ million	2021 HK$ million	**2022 HK$ million**
Turnover	6,128	5,545	5,670	5,267	**6,307**
Profit (loss) before taxation	(19)	256	270	253	**(40)**
Taxation	(64)	(177)	(131)	(78)	**(82)**
Profit (loss) for the year	(83)	79	139	175	**(122)**
Attributable to:					
Owners of the Company	(139)	7	52	76	**(232)**
Non-controlling interests	56	72	87	99	**110**
	(83)	79	139	175	**(122)**

2. Assets and Liabilities

	At 31 December				
	2018 HK$ million	2019 HK$ million	2020 HK$ million	2021 HK$ million	**2022 HK$ million**
Total assets	10,602	9,436	9,750	9,582	**9,109**
Total liabilities	(7,586)	(6,454)	(6,399)	(6,048)	**(6,176)**
	3,016	2,982	3,351	3,534	**2,933**
Equity attributable to:					
Owners of the Company	2,889	2,805	3,132	3,264	**2,629**
Non-controlling interests	127	177	219	270	**304**
	3,016	2,982	3,351	3,534	**2,933**

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
17th Floor, Far East Finance Centre
16 Harcourt Road, Hong Kong

Principal Bankers
China CITIC Bank International Limited
Hang Seng Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

Stock Code
983

Website
www.socam.com

SOCAM DEVELOPMENT LIMITED
瑞安建業有限公司

(Incorporated in Bermuda with limited liability)

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