**FOR IMMEDIATE RELEASE**

# SOCAM Development Announces 2018 Interim Results

**(Hong Kong, 29 August 2018) SOCAM Development Limited** ("SOCAM" or the "Group", stock code: 983) announced its 2018 interim results today. For the six months ended 30 June 2018, the total turnover was HK$3,496 million, representing an increase of 10.4% compared with the same period of last year (1H 2017: HK$3,167 million). The net loss attributable to shareholders was HK$79 million, approximately a 60% reduction of loss as compared to the net loss of HK$197 million for the corresponding period in 2017. The Board does not recommend the payment of an interim dividend. (1H 2017: Nil)

In the first half of 2018, we made steady progress to accelerate the enhancement of the Group's assets and improve revenue and results. The improvement came on the back of a number of corporate success and business developments, including the disposal of the Group's stake in Dalian Tiandi at the end of 2017, the sales launch of the Chengdu Centropolitan SOHO tower and a higher contribution from the Group's construction business.

**BUSINESS HIGHLIGHTS**

- **Completion of Share Buy-back Offer:** SOCAM successfully completed a cash offer to buy back 100,000,000 ordinary shares of the Company at a price of HK$2.50 per share, representing a discount of 66% to the net asset value of HK$7.36 as at 31 December 2017. The offer aimed to benefit all shareholders by providing an opportunity for those minority shareholders who wished to realise part of their investments in the Company at a premium over the prevailing market price, and by increasing net asset value per share. The transaction was completed on 24 August 2018, and the total consideration payable by the Company for buying back the shares was HK$250 million.

- **Dalian Tiandi Disposal:** In December 2017 the Group completed the disposal of its entire 22% interest in the Dalian Tiandi project. An interest income of RMB23.2 million on the outstanding consideration payable to the Group amounting to approximately RMB921 million has been recognised in the first half of 2018. In addition, a one-off write-back was made during the period of fees payable relating to the Dalian Tiandi project totalling approximately RMB27.5 million.

- **Property Sales and Leasing Reported Satisfactory Performance:** In the first six months of 2018, the Group handed over 325 units in its residential and SOHO developments, with a total GFA of approximately 40,400 square metres. 23 car parking spaces were sold. Revenue of HK$786 million and profits of HK$168 million resulting from the sales were recognised in the period. The main contributions came from the Group's Chengdu Centropolitan SOHO tower and Nanjing Scenic Villa projects.

- **Construction Business Showed Improvements in Profit:** Construction business recorded a profit of HK$96 million during the period, a 92% increase compared to HK$50 million in the first half of 2017. 22 new contracts amounted to HK$456 million were secured during the period. The renovation and maintenance businesses kept growing at a steady pace.

**BUSINESS REVIEW**

**Property – Rebuilding our Business**

SOCAM's property portfolio in the Chinese Mainland comprises a total developable gross floor area (GFA) of 519,400 square metres, of which 507,900 square metres are attributable to the Group. About 409,900 square metres are completed properties, with the remaining 109,500 square metres currently under development. During the period, the property business recorded a profit of HK$106 million.

The property market in the Chinese Mainland was generally buoyant in the first half of 2018. In January 2018, the Group relaunched the sale of the SOHO tower, which consists of 504 units, at Chengdu Centropolitan. As at 30 June 2018, 291 of these units had been sold, of which 249 had been handed over to buyers. During the period, contract sales amount of RMB263 million was recorded.

In Nanjing, 36 units totaling 10,800 square metres GFA were sold in the first half of 2018. Total contract value was RMB208 million.

SOCAM operates four shopping malls in the Chinese Mainland, with a combined GFA of 189,800 square metres, together with an office tower in Chengdu with 33,300 square metres GFA. Total attributable gross rental income from retail and office properties was approximately RMB22 million in the first six months of 2018 (1H 2017: RMB8 million), mainly due to the leasing of the office tower and retail mall of Chengdu Centropolitan starting from June and December 2017 respectively, and the consolidation of Tianjin Veneto's retail results after the Group's acquisition of the project's controlling shareholding in 2017.

Leasing activity of the office tower at Chengdu Centropolitan continues to progress, buoyed by demand for high quality office space in the district. As of 30 June 2018, the tower was 69% let, generating a rental income of RMB5.8 million in the first half of 2018. Major tenants signed included those in the finance and e-commerce sectors.

The retail sector continues to face the challenge of the rise in e-commerce and of adapting to the increasing purchasing power of a younger demographic. To respond to the changing nature of the retail market, the Group has a comprehensive programme of revamping and re-energising these properties to maintain their competitiveness. As of 30 June 2018, occupancy rates of our Shenyang Tiandi, Tianjin Veneto and Chongqing Creative Concepts Center malls were on an upward trend at 61%, 73% and 67% respectively. Occupancy rate at Chengdu Centropolitan, which opened fully in August 2018, was 45%.

**Construction – Higher Contribution to the Group**

SOCAM's construction business posted a profit of HK$96 million, representing a significant 92% rise (1H 2017: HK$50 million). Turnover decreased by 15% to HK$2,674 million (1H 2017: HK$3,144 million), mainly attributable to the completion of the HK$9 billion contract for the Hong Kong Children's Hospital joint venture project. As of 30 June 2018, the gross value of contracts on-hand was approximately HK$16.2 billion and contracts to be completed was HK$8 billion (1H 2017: HK$21.6 billion and HK$10.9 billion respectively).

During the first six months of 2018, SOCAM won 22 new construction, renovation and fit-out contracts in Hong Kong and Macau worth a total of HK$456 million, compared with the HK$4.3 billion achieved in the first half of 2017. SOBC won HK$80 million while PDL won HK$376 million new contracts. The decline in the value of new contracts secured in the first half of 2018 is mainly due to fewer construction projects being offered by the Housing Authority and the Architectural Services Department in the first six months of the year.

SOCAM's construction projects continued to make steady progress towards completion during the first six months of 2018, including both the public housing projects at So Uk Estate Phases 1 and 2, Kai Tak Home Ownership Scheme, Shek Kip Mei Estate Phases 3, 6 and 7, as well as the design and build project, namely the Junior Police Officers Married Quarters at Fan Garden, Fanling. A total of ten maintenance projects were underway in Hong Kong as at 30 June 2018, together with 17 interior fitting out projects in Hong Kong and Macau.

Projects completed during the first six months of 2018 comprised So Uk Public Housing Estate Phase 1 in Sham Shui Po in Hong Kong and five hospitality related projects in Macau.

SOCAM's interior fit-out and building maintenance arms reported good results, with a strong order book going forward. Pat Davie won 18 new contracts totalling HK$376 million, mainly from large institutional and commercial clients in Hong Kong and Macau. Contracts completed amounted to HK$302 million in Macau.

**OUTLOOK**

In the second half of the year, the global economy is likely to face increasing pressures from trends established earlier in the year that will have a considerable impact on business investment and market confidence. It is widely anticipated that trade between China and the US will suffer, which may have a broad impact on both economies.

The Group's property business in the Chinese Mainland will continue to operate in a market that has high economic growth but is also highly competitive. We anticipate stronger income from our development in Nanjing, Chengdu and Tianjin as we launch new units for sale, as well as from rental income, as occupancy rates at our four shopping malls improve.

In our residential property project in Nanjing, sales of Phase 2 of Scenic Villa will continue, with booking of revenue dependent on the timing of hand over to buyers. Meanwhile, construction of Phase 3 will be pushed ahead, with completion targeted in 2019. Also we plan to launch the first batch of retail units of Phase 2 of Veneto in Tianjin by the end of the year.

The recent trends observed in retail, namely the growth in e-commerce and a younger demographic seeking lifestyle experiences, look set to continue. Occupancy and rental trends will vary from city to city, owing to differences in supply. We expect to increase occupancy rates significantly at Tianjin Veneto, Chongqing Creative Concepts Center and Shenyang Tiandi as new tenancies are signed. The full opening of Chengdu Centropolitan shopping mall in August this year received a positive market response, with the overall occupancy rate at 60%. The Group will continue to push ahead vigorously with its revamp programme to refresh the appearance of the malls and enhance the tenant mix, in order to improve the rental yield.

We are cautiously optimistic about Hong Kong's economic outlook for 2018. Our construction business will benefit from the projects secured and we expect some success from tenders in the second half of the year. We continue to see good opportunities in construction and will target projects in public housing and related public amenities. We will also increase our efforts to establish a stronger presence in maintenance and interior fitting-out projects, which will give additional impetus to the Group's construction business in the longer term.

We are aware of the challenges that lie ahead and will maintain a balance in seeking opportunities to grow our businesses and improve our results, while adhering to prudent financial management.

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SOCAM DEVELOPMENT

## SUMMARY OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

| | **2018 HK$ million** | 2017 HK$ million |
|---|---|---|
| **Property** | | |
| Profit from property sales | **168** | 3 |
| Net rental expenses | **(22)** | (7) |
| Fair value changes on investment properties, net of deferred tax provision | **36** | (14) |
| Share of results of joint ventures | **-** | (50) |
| Share of results of associates – Dalian Tiandi | **-** | (7) |
| Operating expenses, net of project fee income | **(76)** | (20) |
| | **106** | (95) |
| **Construction** | **96** | 50 |
| **Net finance costs** | **(82)** | (74) |
| **Marked-to-market loss of currency hedging contracts** | **(57)** | (36) |
| **Corporate overheads and others** | **(36)** | (16) |
| **Taxation** | **(74)** | (12) |
| **Non-controlling interests** | **(32)** | (14) |
| **Total** | **(79)** | (197) |

## FINANCIAL POSITION

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| **Total assets** | **HK$11.5 billion** | HK$12.0 billion |
| **Net assets** | **HK$3.4 billion** | HK$3.6 billion |
| **Net assets per share** | **HK$7.1** | HK$7.4 |
| **Net gearing** | **58.0%** | 53.6% |
| **Net bank and other borrowings** | **HK$2.0 billion** | HK$1.9 billion |

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