



FOR IMMEDIATE RELEASE

SOCAM Development Announces 2017 Annual Results

Revitalise for Profitability

(Hong Kong, 28 March 2018) SOCAM Development Limited (“SOCAM” or the “Group”, stock code: 983) today announced its results for the year ended 31 December 2017. The total turnover was HK\$6.5 billion (2016: HK\$5.3 billion). SOCAM’s losses were contracting significantly. The loss attributable to shareholders was HK\$613 million, approximately a 56% reduction of loss as compared to the net loss of HK\$1.4 billion in 2016.

RESULTS HIGHLIGHTS

- Turnover at HK\$6.5 billion (2016: HK\$5.3 billion).
- Loss attributable to shareholders at HK\$613 million (2016: HK\$1.4 billion).
- Loss per share at HK\$1.27 (2016: HK\$2.86).
- Total assets at HK\$12 billion (2016: HK\$9.2 billion).
- Net assets at HK\$3.6 billion (2016: HK\$3.8 billion).
- Net asset value per share at HK\$7.4 (2016: HK\$7.9).
- Net gearing at 53.6% (2016: 33.5%).
- No final dividend to be distributed as recommended by the Board of Directors (2016: Nil).

BUSINESS HIGHLIGHTS

- **Improved Financial Position:** SOCAM successfully issued 3-year USD denominated notes in an aggregate amount of US\$280 million in May and June, enabling the Group to repay short-term bank borrowings and strengthen working capital.
- **Further Monetisation:** The disposal of our 22% shareholding in Dalian Tiandi project for a cash consideration of HK\$1.5 billion has greatly decreased SOCAM’s ongoing portfolio commitments and further streamlined the Group’s property portfolio.
- **Property Sales & Leasing Reported Satisfactory Performance:** At Chengdu Centropolitan, 86% of the SOHO units offered for sale since January 2018 have been sold, and 56% of the office tower was leased as of 31 December 2017. At Nanjing Scenic Villa, a further sales launch of the second batch of 39 villas in Phase II was commenced in November and 20 units were sold or subscribed for.



- **Construction Business Expanded Order Book:** SOCAM's construction arm recorded a profit of HK\$135 million, a 80% increase compared to HK\$75 million in 2016. New contracts secured during the year amounted to HK\$6.8 billion, a 44% rise on the HK\$4.7 billion in 2016. The renovation and maintenance businesses kept growing at a steady pace.

BUSINESS REVIEW

Property – Rebuilding our Business

Despite challenging market conditions, SOCAM has managed to reduce its property portfolio in the Chinese Mainland from an attributable gross floor area of 2.1 million square metres to approximately 0.56 million square metres today. Currently, about 418,400 square metres are completed properties, with the remaining 151,500 square metres under development.

During the year, SOCAM disposed of its 22% interest in Dalian Tiandi knowledge community project, realising cash proceeds of HK\$1.5 billion in stages. The transaction enabled SOCAM to exit a long-term investment project and made a positive contribution to the cash flow and financial position of the Group, albeit a HK\$127 million book loss was incurred.

Our property portfolio in the Chinese Mainland currently consists of retail malls which are being refurbished to include a greater element of entertainment and dining. During the year, Chengdu Centropolitan's fresh market 'village' opened, and Shenyang Tiandi largely completed its revamp plans and new facilities such as 'Bar Street' were opened in July. Total attributable gross rental income from our investment properties in 2017 was approximately HK\$38 million (2016: HK\$33 million), marking an improving trend. However, as SOCAM's shopping malls were all at some stage of refurbishment and tenant mix adjustment during the year, occupancy rates were temporarily disrupted.

As of 31 December 2017, occupancy rates for the two newly-opened floors of Chengdu Centropolitan were 89% and 25% respectively, and those for Chongqing Creative Concepts Center, Shenyang Tiandi and Tianjin Veneto were 60%, 60% and 66%, respectively.

We have strengthened our efforts in sales and leasing of offices and SOHO tower in Chengdu Centropolitan. Since January 2018, SOCAM has re-launched 96 SOHO units and 83 have been sold. Leasing activity of the 21-floor office tower is progressing satisfactorily. As of 31 December 2017, 56% of the office tower was leased.



At Nanjing Scenic Villa, a further sales launch of the second batch of 39 villas in Phase II was conducted in November and 20 units have been sold. At year-end, 211 out of 239 of the units launched for sale so far were pre-sold or subscribed for, yielding total sales proceeds of approximately RMB924 million.

The shortfall in mall rental income, together with the book loss on the disposal of Dalian Tiandi, adversely affected SOCAM's property business performance, leading to a sectoral attributable loss of HK\$291 million for 2017, which was a significant reduction of loss compared to 2016 (HK\$1,182 million).

Construction – Strengthening Management for Better Results

SOCAM's construction business posted a profit of HK\$135 million (2016: HK\$75 million), representing a significant 80% rise. Turnover increased by 36% to HK\$6.4 billion (2016: HK\$4.7 billion). As of 31 December 2017, the gross value of contracts on-hand was approximately HK\$18.5 billion and contracts to be completed was HK\$9.8 billion (2016: HK\$18.6 billion and HK\$9.7 billion respectively). Average net profit margin increased to 2.1 % of turnover, from 1.6% margin in the previous year.

Over the year, SOCAM won a total of HK\$6.8 billion new contracts, compared to HK\$4.7 billion in 2016. Highlight tender success was a contract from the Architectural Services Department (ASD) for the design and construction of Junior Police Officer Married Quarters in Fanling, worth HK\$2,720 million. Six major construction contracts on public housing development and maintenance were won, with aggregate contract value of approximately HK\$2.8 billion, including public rental housing developments in Wong Tai Sin and Chai Wan. For completed contracts, we handed over the Hong Kong Children's Hospital to the ASD and Hospital Authority, an on-time delivery.

SOCAM's interior fit-out and building maintenance arms both had a profitable year, with a strong order book going forward. Pat Davie won 33 new contracts totalling HK\$1.29 billion, mainly from large institutional and commercial clients in Hong Kong and Macau. Contracts completed by Pat Davie amounted to HK\$1.04 billion in Hong Kong and HK\$102 million in Macau.

The Group has strengthened and incentivised management to achieve better results. In September 2017, the Group sold 15% of the issued share capital of its holding company of the construction businesses to seven senior executives of the Construction Division for a total consideration of HK\$75 million.



Revitalise for Profitability

The past year was one in which SOCAM made satisfactory progress in our two overarching ambitions. Firstly, the Group took significant strides in improving our balance sheet and, secondly, to embark upon a rebuilding programme. By progressively enlivening the shopping malls, SOCAM is in the process of generating higher shopper patronage, improving leasing, enhancing revenue and achieving our medium-term objective to create value.

Generally, the shopping mall operating environment in the Chinese Mainland is still very challenging due to oversupply in the retail sector. Yet, the retail market has seen signs of recovery with the Central Government's continued stimulation of private consumption. The revamp plans in three of the four shopping malls have seen modest success during the year in terms of the increased footfall recorded. SOCAM aims to redouble efforts to achieve a full recovery in operating results, and in pursuing a prudent path to stability and profitability.

On the construction front, Hong Kong looks to meet the urgent need of expansion of public and affordable housing, a sector in which SOCAM specialises. The Group remains confident that pragmatic land supply solutions can be found and that SOCAM's tendering opportunities in this area are poised to increase in the immediate years ahead.



Summary of Financial Results for the Year Ended 31 December

	2017 HK\$ million	2016 HK\$ million
Property		
Profit (loss) on property sales	6	(19)
Net rental expenses	(9)	(19)
Fair value changes on investment properties, net of deferred tax provision	3	(29)
Share of results of joint ventures	(142)	(799)
Net gain on acquisitions of interests in joint ventures	141	-
Share of results of associates – Dalian Tiandi	(27)	(161)
Loss on disposal of interest in Dalian Tiandi	(127)	-
Operating expenses, net of project fee income	(136)	(155)
	(291)	(1,182)
Construction	135	75
Venture capital investments	(8)	(25)
Net finance costs	(184)	(142)
Marked-to-market loss of currency hedging contracts	(174)	-
Corporate overheads and others	(16)	(52)
Taxation	(32)	(30)
Non-controlling interests	(43)	(26)
Total	(613)	(1,382)

Turnover for the Year Ended 31 December

	2017 HK\$ million	2016 HK\$ million
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	6,403	4,711
Property	69	634
Total	6,472	5,345
Joint ventures and associates		
Property	448	1,535
Others	33	37
Total	481	1,572
Total	6,953	6,917