

FOR IMMEDIATE RELEASE

SOCAM Development Announces 2019 Interim Results

(Hong Kong, 30 August 2019) SOCAM Development Limited (“SOCAM” or the “Group”, stock code: 983) announced its 2019 interim results today. For the six months ended 30 June 2019, SOCAM restored profitability in its operations. Net profit attributable to shareholders was HK\$11 million, as contrasted with the net loss attributable to shareholders of HK\$79 million in 1H 2018. Total turnover decreased by 25% against 1H 2018 to HK\$2.6 billion. The Board of Directors does not recommend the payment of an interim dividend (1H 2018: Nil).

RESULTS HIGHLIGHTS

		Six months ended 30 June	
		2019	2018
Profit (loss) attributable to shareholders	HK\$ million	11	(79)
Basic earnings (loss) per share	HK\$	0.03	(0.16)
Turnover			
Company and subsidiaries	HK\$ million	2,625	3,496
Share of joint ventures	HK\$ million	13	17
Total	HK\$ million	2,638	3,513
		At 30 Jun 2019	At 31 Dec 2018
Total assets	HK\$ billion	10.1	10.6
Net assets	HK\$ billion	2.9	2.9
Net asset value per share	HK\$	7.5	7.5
Net gearing	%	57.5	84.9

- **Improved Profit for Property Business:** The Group’s property business recorded HK\$172 million profit in 1H 2019 (1H 2018: HK\$150 million), excluding foreign exchange losses. Turnover was HK\$746 million (1H 2018: HK\$822 million).
- **Construction Business Expanded Order Book:** Profit and turnover were HK\$103 million and HK\$1.9 billion, respectively (1H 2018: HK\$ 96 million and HK\$2.7 billion). The Group’s construction business secured 27 new contracts worth a total of HK\$2,069 million in 1H 2019 (1H 2018: HK\$456 million).
- **Acquisition of Property Management Business in Hong Kong:** In April 2019, the Group acquired Shui On Properties Management (SOPM), the property management business of Shui On Private Group in Hong Kong, for a cash consideration of HK\$35 million. SOPM will contribute stable income and cash flow to the Group.
- **Disposal of Non-core Assets:** In June 2019, the Group completed the disposal of 34.8% effective equity interest in Nanjing Jiangnan Cement to a subsidiary of Shui On Land for a consideration of approximately RMB147.9 million. After the interim period, the Group announced in July 2019 the disposal of a commercial building in Kwun Tong, for a consideration of approximately HK\$386.7 million. Completion is expected to take place by October 2019.

BUSINESS REVIEW

Property – Major Sales and Higher Contribution from Rental Properties

In 1H 2019, revenue of HK\$673 million and profit of HK\$113 million resulting from property sales were recognised (1H 2018: HK\$786 million and HK\$137 million). The Group handed over 95 villas with a total GFA of 26,970 square metres and 29 car parking spaces in Nanjing Scenic Villa, as well as three SOHO units and 424 car parking spaces at Chengdu Centropolitan. In addition, the Group contracted sales of 146 retail shops, with a total GFA of approximately 5,720 square metres in Phase 2 of Tianjin Veneto for a total sales amount of RMB193 million during the period, following the sales launch in January 2019.

The Group's retail and office properties contributed higher rental income in 1H 2019. In Mainland China, total gross rental income before deduction of applicable taxes was approximately RMB32 million (1H 2018: RMB22 million), mainly due to the leasing of the upper floors of the retail mall of Chengdu Centropolitan, as well as improved operating performance of the office and retail premises. In particular, rental income from the office tower of Chengdu Centropolitan increased by 75% in 1H 2019 over the same period in 2018. In Hong Kong, HK\$1.4 million rental income was recorded for 1H 2019.

Table 1: Major property sales by project during the period

Project	1H 2019			1H 2018		
	Contracted sales		Handover	Contracted sales		Handover
	Contracted amount* (RMB million)	GFA sold (sq. m.) / No. of car parks sold	GFA delivered (sq. m.) / No. of car parks delivered	Contracted amount* (RMB million)	GFA sold (sq. m.)	GFA delivered (sq. m.)
Nanjing Scenic Villa <i>Residential</i>	245	11,960	26,970	208	10,760	25,200
Tianjin Veneto Phase 2 <i>Retail</i>	193	5,720	-	-	-	-
Chengdu Centropolitan <i>Car parks</i> <i>SOHO Tower</i>	70 -	426 units -	424 units 200	- 263	- 17,750	- 15,200

* VAT inclusive

Table 2: Rental income from retail and office properties in Mainland China

Project	Rental income before deduction of applicable taxes (RMB)			
	1H 2019	Monthly average	1H 2018	Monthly average
Chengdu Centropolitan <i>Retail</i> [^] <i>Office</i>	5,925,000 10,222,000	988,000 1,704,000	3,665,000 5,840,000	610,000 970,000
Chongqing Creative Concepts Center <i>Retail</i>	3,068,000	511,000	2,112,000	350,000
Shenyang Tiandi <i>Retail</i>	5,251,000	875,000	4,761,000	790,000
Tianjin Veneto Phase 1 <i>Retail</i>	7,584,000	1,264,000	5,562,000	930,000

[^] Levels 2-6 were officially opened in August 2018.

Construction – Higher Profit, Order Book Expanded

Profit of SOCAM's construction business increased 7.3% to HK\$103 million in 1H 2019 (1H 2018: HK\$96 million). Turnover was HK\$1.9 billion, down from HK\$2.7 billion in 1H 2018. The gross value of contracts on-hand was HK\$15.5 billion as at 30 June 2019, with contracts to be completed of HK\$7.8 billion (as at 31 December 2018: HK\$14.1 billion and HK\$7.3 billion).

Table 3 : New contracts awarded and workload

HK\$	1H 2019	1H 2018
New contracts awarded	2,069 million	456 million
HK\$	30 Jun 2019	31 Dec 2018
Gross value of contracts on hand	15.5 billion	14.1 billion
Gross value of contracts to be completed	7.8 billion	7.3 billion

During the period, SOCAM expanded its order book and secured 27 new construction, renovation and fit-out contracts in Hong Kong and Macau worth a total of HK\$2,069 million (1H 2018: HK\$456 million), including the construction of public housing development in Chai Wan for the Hong Kong Housing Authority.

Shui On Construction submitted tenders to the Architectural Services Department for the design and construction contracts, worth over HK\$8 billion, for the Redevelopment of Kwai Chung Hospital (Phase 2), Private Residential Care Homes for the Elderly at Kwu Tung North, and an office building for the Drainage Services Department. The award of these contracts is subject to the funding approval of the Finance Committee of the Legco, which is expected to resume meetings in October 2019. We are cautiously optimistic about our chances of securing some of these contracts.

OUTLOOK

In Mainland China, ongoing control policies in the residential sector should help to keep the market stable, and robust consumer spending is expected to support retail sales. In Hong Kong, we remain confident regarding our construction business. With more than HK\$2 billion of new contracts won in the first half of 2019 and with HK\$15.5 billion gross value of contracts on hand, the Group's construction business is expected to perform well in the second half. In Macau, despite a slow-down in the economy and the gaming sector, plans already in place to refurbish hotels and restaurants will provide business opportunities for Pat Davie.

The Group will consider further acquisition and disposal opportunities as they arise. We will conduct further strata-title sales of retail and commercial units at Tianjin Veneto Phase 2 and advance the en-bloc disposal of our property assets.



Summary of Financial Results for the Six Months Ended 30 June 2019

	Six months ended 30 June 2019 (HK\$ million)	Six months ended 30 June 2018 (HK\$ million)
Property		
Profit from property sales	113	137
Net rental expenses	(5)	(22)
Fair value changes on investment properties, net of deferred tax provision	29	36
Gain on disposal of interest in a joint venture	61	-
Disposal of interest in Dalian Tiandi	20	60
Operating expenses, net of project fee income	(46)	(61)
	172	150
Construction	103	96
Net finance costs		
Senior notes	(68)	(76)
Bank and other borrowings	(40)	(34)
Marked-to-market loss of currency hedging contracts	-	(57)
Net foreign exchange losses	(7)	(24)
Corporate overheads and others	(25)	(28)
Taxation	(99)	(74)
Non-controlling interests	(25)	(32)
Total	11	(79)

Turnover for the Six Months Ended 30 June 2019

	Six months ended 30 June 2019 (HK\$ million)	Six months ended 30 June 2018 (HK\$ million)
Turnover		
SOCAM and subsidiaries		
Construction	1,879	2,674
Property	746	822
Total	2,625	3,496
Joint ventures		
Others	13	17
Total	13	17
Total	2,638	3,513