



FOR IMMEDIATE RELEASE

## SOCAM Development Announces 2017 Interim Results *Recovery On The Way*

(Hong Kong, 29 August 2017) SOCAM Development Limited (“SOCAM” or the “Group”, stock code: 983) today announced its results for the six months ended 30 June 2017. During the period, the Group reported a loss attributable to shareholders at HK\$197 million, approximately 70% reduction of loss as compared to the net loss of HK\$711 million for the corresponding period in 2016.

### RESULTS HIGHLIGHTS

- Turnover at HK\$3.17 billion (1H 2016: HK\$2.46 billion).
- Loss attributable to shareholders at HK\$197 million (1H 2016: HK\$711 million).
- Loss per share at HK\$0.41 (1H 2016: HK\$1.47).
- Total assets at HK\$10 billion (31 December 2016: HK\$9.2 billion).
- Net assets at HK\$3.8 billion (31 December 2016: HK\$3.8 billion), with net asset value per share at HK\$7.8 (31 December 2016: HK\$7.9).
- Net gearing at 42% (31 December 2016: 33.5%).
- No interim dividend to be distributed as recommended by the Board of Directors (2016: Nil).

### BUSINESS HIGHLIGHTS

- **Improved Financial Position:** In May and June SOCAM successfully issued 3-year US\$ denominated notes in an aggregate amount of US\$280 million. The net proceeds have enabled the Group to repay short-term bank borrowings and strengthen working capital. As a result, the Group’s total bank borrowings substantially decreased from HK\$2.4 billion as at end 2016 to the current HK\$0.9 billion.
- **Stronger Renminbi Led to Improved Returns and Valuations:** As Renminbi appreciated against the Hong Kong dollar, the Group’s property projects and other RMB-denominated assets recognised HK\$61 million and HK\$132 million foreign exchange gains in profit and loss and reserves respectively.
- **Asset Enhancement Programme in Progress:** The Group is taking proactive steps to undertake enhancement works on the four shopping malls in Tianjin, Shenyang,



Chongqing and Chengdu and is making satisfactory progress. The revamp aims to increase footfall, raise occupancies and yields and enhance the retail properties' asset values.

**Construction Business Expanded Order Book:** Following on from securing contract values of HK\$4.7 billion in 2016, the Group secured more than HK\$4.3 billion of new construction contracts in the first half of the year. A further HK\$580 million Public Housing construction contract was secured after the reporting period.

## **BUSINESS REVIEW**

### **Property – Revamping Shopping Malls to Enhance Value**

Revamping and enhancement works of the four shopping malls are in progress, which are essential to strengthen the Group's long-term competitive edge and profitability. During the period the Group continued its efforts to reduce operating costs and increase occupancies.

#### ***Chongqing Creative Concepts Center -***

The mall's occupancy rate currently remains soft at around 50%. Major tenancies are under negotiation and if successful, the mall will be close to fully let by end of the year.

#### ***Shenyang Project Phase I -***

'Bar Street', opened in July, features an exciting concept that boasts a wide selection of alfresco dining and bars, and has become a new attraction to the local community. With the revamping plans ongoing, tenant occupancy rate remained steady at 60% as at 30 June 2017.

#### ***Tianjin Veneto -***

While enhancement works are ongoing, performance of the mall was adversely affected during the period. Sales turnover and rental income dropped by more than 20% and 40% respectively compared with the same period last year. The occupancy rate of the mall was down 40% amid the change of the tenant mix, while footfall has seen a year-on-year increase of 27% in June this year, an encouraging trend.

#### ***Chengdu Centropolitan mall –***

The mall is scheduled to open in the fourth quarter of 2017, and has recently attracted a number of tenants to its fresh market 'village' concept designed to satisfy the daily needs of the neighbouring communities. Other sections of the mall will be opened in phases afterwards.

*Dalian Tiandi –*

The knowledge community project reported encouraging operating results as sales performance improved and the average selling price picked up during the period. Recognised property sales stood at RMB493 million. A total GFA of 161,000 square metres for residential use, 77,000 square metres for office use, 14,000 square metres for retail use and 33,000 square metres for serviced apartment use are under construction. They are planned for completion progressively from the second half of 2017 to 2020.

**Construction – Strengthening Management for Better Results**

Construction business posted a profit of HK\$50 million (1H 2016: HK\$44 million), and saw turnover increase significantly by 60% to HK\$3.1 billion (1H 2016: HK\$2.0 billion). As of 30 June 2017, the gross value of contracts on-hand was approximately HK\$21.6 billion, and the value of outstanding contracts to be completed was approximately HK\$10.9 billion (HK\$18.6 billion and HK\$9.7 billion respectively as at 31 December 2016).

Major construction contracts secured included (i) the design and construction of Junior Police Officer Married Quarters in Fanling, (ii) term contracts for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties in Wong Tai Sin, Tsing Yi and Tsuen Wan, and (iii) a similar term contract for properties in Kowloon East. Subsequent to the period end, a further HK\$580 million contract was awarded for the construction of a Public Rental Housing Estate in Wong Tai Sin. Pat Davie won 15 interior fitting-out contracts worth approximately HK\$674 million covering mainly offices and retail space, and completed 8 projects with an aggregate contract value of HK\$492 million.

In August 2017, the Group agreed to sell 15% of the issued share capital of the holding company of the construction businesses to seven executives of the Construction Division for a total consideration of HK\$75 million. The equity participation arrangement will provide the senior executives more incentives to align with the Group's capabilities, market needs and shareholder expectations, with a view to delivering better results in our construction business.

**Focusing On Recovery**

SOCAM will continue to adopt a prudent and sound financial management strategy to support its rebuilding plan. It will take some time to see the outcome of the operation and business initiatives reflect in the profitability and balance sheet, but with the satisfactory progress on revamping four well-located shopping malls and the new momentum generated in the construction business, the Group remains confident that it is on the right track to recovery.



## Summary of Financial Results for the Six Months Ended 30 June 2017

	2017 HK\$ million	2016 HK\$ million
<b>Property</b>		
Profit (loss) on property sales	3	(49)
Net rental expenses	(7)	(11)
Fair value changes on investment properties, net of deferred tax provision	(14)	(17)
Share of results of joint ventures	(50)	(370)
Share of results of associates – Dalian Tiandi	(7)	(75)
Operating expenses, net of project fee income	(6)	(72)
	<b>(81)</b>	<b>(594)</b>
<b>Construction</b>	<b>50</b>	<b>44</b>
<b>Venture capital investments</b>	<b>(6)</b>	<b>(19)</b>
<b>Net finance costs</b>	<b>(88)</b>	<b>(66)</b>
<b>Corporate overheads</b>	<b>(17)</b>	<b>(35)</b>
<b>Taxation and others</b>	<b>(41)</b>	<b>(29)</b>
<b>Non-controlling interests</b>	<b>(14)</b>	<b>(12)</b>
<b>Total</b>	<b>(197)</b>	<b>(711)</b>

## Turnover for the Six Months Ended 30 June 2017

	2017 HK\$ million	2016 HK\$ million
<b>Turnover</b>		
<b>SOCAM and subsidiaries</b>		
Construction	3,144	1,961
Property	23	502
Total	3,167	2,463
<b>Joint ventures and associates</b>		
Property	407	876
Others	14	18
Total	421	894
<b>Total</b>	<b>3,588</b>	<b>3,357</b>

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