



FOR IMMEDIATE RELEASE

SOCAM Development Announces 2020 Annual Results

(Hong Kong, 26 March 2021) SOCAM Development Limited (“SOCAM” or the “Group”, stock code: 983) today announced its results for the year ended 31 December 2020. During the year, SOCAM reported net profit attributable to shareholders of HK\$52 million, as compared with the HK\$7 million profit for 2019. Turnover slightly increased to HK\$5.7 billion (2019: HK\$5.5 billion). The Board of Directors does not recommend the payment of a final dividend (2019: Nil).

RESULTS HIGHLIGHTS

- The construction business reported a remarkable profit with 16% increment to HK\$456 million in 2020 (2019: HK\$393 million). Turnover for 2020 was HK\$5.0 billion, a 12% rise compared with last year (2019: HK\$4.5 billion).
- New construction contracts worth a total of HK\$5.9 billion were secured during the year (2019: HK\$11.5 billion).
- The property business recorded a loss of HK\$72 million, including HK\$130 million valuation and impairment losses of property portfolio. Turnover for 2020 was HK\$628 million (2019: HK\$160 million profit and HK\$1,052 million turnover).
- In 2020, revenue of HK\$433 million and profit of HK\$122 million resulting from property sales were recognised (2019: HK\$869 million and HK\$124 million).
- Total gross rental income from retail and office properties before deduction of applicable taxes during the year was RMB58 million (2019: RMB68 million).
- The Group reported a HK\$169 million net foreign exchange gain mainly arising from the 6.0% appreciation of the Renminbi against the Hong Kong dollar on the Group’s property assets (2019: HK\$50 million foreign exchange loss).
- In January 2020, SOCAM issued 6.25% senior notes due 2022 in an aggregate principal amount of US\$180 million to refinance its existing indebtedness with near-term maturities and for general corporate purposes. In May 2020, SOCAM redeemed all the outstanding 6.25% senior notes due 2020 in an aggregate principal amount of approximately US\$173.2 million.
- The Group’s net gearing ratio decreased to 50.8% at 31 December 2020 (2019: 54.2%).

BUSINESS REVIEW

Construction – Increasing Profit with Strong Order Book

The COVID-19 pandemic had modest impact on the Group's building construction activities, and the Group managed to maintain a strong order book during the year. Gross value of contracts on hand was HK\$23.7 billion as at 31 December 2020, with contracts to be completed of HK\$16.2 billion (31 December 2019: HK\$22.1 billion and HK\$15.1 billion respectively). The strong order book will help produce healthy growth in turnover, profit and cash flow in the coming few years.

During the year, a number of new construction, maintenance, fit-out and renovation contracts in Hong Kong and Macau worth a total of HK\$5.9 billion were secured amid intensifying market competition, as compared with the HK\$11.5 billion awarded in 2019 which hit record high in recent years. Major contracts secured include a design and construction contract of a new building for Drainage Services Department, four 3-year maintenance term contracts for public housing estates at various districts, and a 3-year distribution cable trenching and laying works term contract for CLP.

Our interior fitting-out arm secured a total of 33 new contracts in the highly competitive fit-out and refurbishment markets of both Hong Kong and Macau, with an aggregate value of HK\$1,007 million primarily in the commercial and institutional sectors in Hong Kong.

We foresee a contraction in the private sector construction projects in the next few years, while more tendering opportunities will come from the public sector to address the imminent housing and healthcare needs as well as the counter-cyclical measures, where SOCAM stands to benefit.

Property – Rebuilding Business from COVID-19

The property business performance suffered adverse impact of COVID-19, notably the delay in the sales and handover of the retail shops and SOHO units in Tianjin Veneto Phase 2, lower leasing income as a result of rent reliefs offered to the mall tenants, and fair value losses on the Group's property assets.

At Nanjing Scenic Villa, property sales revenue recognised in 2020 amounted to RMB76 million. In addition, the Group contracted strata-title sales of 117 SOHO units and 13 retail shops, with a total GFA of 8,320 square metres, in Phase 2 of Tianjin Veneto for a total sales amount of RMB104 million during the year.

With a leaner property team and mall-focused portfolio, the Group is responding dynamically to the consumer behaviour in the new normal and the changing retail market landscape, and strives for

marked improvement in occupancy, footfall and rental performance as well as shopping experience for customers in the post-epidemic era. We will also step up marketing efforts to push for the sales and handover of the remaining units in Tianjin Veneto Phase 2 in the coming months.

OUTLOOK

Despite China returned to the growth track in the second quarter of 2020 and has become the first major economy to recover from COVID-19, the pandemic remains a key threat in the short run. Given the external environment, economic conditions in Hong Kong remain austere as the fourth wave of local epidemic continues to weigh on consumer sentiment and disrupt economic activities.

Amidst this unprecedented crisis, SOCAM takes the opportunity to enhance the organisation and business sustainability, and sharpen its focus on the booming public sector construction in Hong Kong. By adopting innovative new technologies in design and construction processes, expanding our health and safety and design-and-build capabilities, and increasing synergy through cross business units' collaboration, we strive to enhance our competitiveness and believe our construction business will usher in a tide of opportunities in the coming years. We will also continue to adopt a prudent strategy and remain alert to acquisition and disposal opportunities to create value for shareholders.

Turnover for the Year Ended 31 December

	2020 (HK\$ million)	2019 (HK\$ million)
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	5,042	4,493
Property	628	1,052
Total	5,670	5,545
Joint ventures		
Cement and others	9	22
Total	5,679	5,567

Summary of Financial Results for the Year Ended 31 December

	2020 (HK\$ million)	2019 (HK\$ million)
Construction	456	393
Property		
Profit from property sales	122	124
Net rental income (expenses)	4	(3)
Fair value changes on investment properties, net of deferred tax provision	(115)	39
Impairment loss on property inventories	(15)	-
Acquisition of remaining interest in subsidiaries	(13)	-
Gain on disposal of interest in a joint venture	-	62
Disposal of interest in Dalian Tiandi	5	29
Hong Kong property management	16	4
Net operating expenses	(76)	(95)
	(72)	160
Net finance costs		
Senior notes	(119)	(118)
Bank and other borrowings	(51)	(85)
Compensation for closure of a cement plant	-	26
Corporate overheads and others	(75)	(83)
Foreign exchange gains (losses)	169	(50)
Taxation	(169)	(164)
Non-controlling interests	(87)	(72)
Total	52	7