



FOR IMMEDIATE RELEASE

## SOCAM Development Announces 2022 Interim Results

(Hong Kong, 29 August 2022) SOCAM Development Limited (“SOCAM” or the “Group”, stock code: 983) announced its 2022 interim results today. For the six months ended 30 June 2022, SOCAM reported a net loss attributable to shareholders of HK\$60 million, as compared with the HK\$20 million net profit for the corresponding period in 2021. The loss for this interim period included the net foreign exchange loss of HK\$122 million attributable to the 4.6% depreciation of the Renminbi against the Hong Kong dollar on the Group’s property assets during the period. The Group’s turnover for the first half of 2022 increased by 15% to HK\$2.8 billion against the same period in 2021 (1H 2021: HK\$2.4 billion). In face of the challenging market environment, the Board of Directors does not recommend the payment of an interim dividend (1H 2021: Nil).

SOCAM’s construction business in Hong Kong entered this year with strong progress on existing projects, and reported a 41% profit growth on an 18% increase in turnover. In the Mainland, the recovery of the occupancies and rental income streams of our four shopping malls was however substantially affected by the most severe COVID-19 wave since 2020.

### Construction – Remarkable Growth with Strong Order Book

- The construction business reported a remarkable profit of HK\$302 million on turnover of HK\$2.6 billion, representing a 41% and 18% increase respectively, compared with the same period in 2021 (1H 2021: HK\$214 million in profit and HK\$2.2 billion in turnover).
- Average pre-tax profit margin of the construction works rose to 11.6% (1H 2021: 9.7%), largely attributable to the increased contributions from the completed projects.
- New contracts worth a total of HK\$3.0 billion were secured (1H 2021: HK\$2.2 billion).

Both building construction and maintenance businesses recorded an upsurge in turnover. Amid intensified market competition we further expanded our order book, and made wider use of construction innovations and technologies to sharpen competitiveness. In July we expanded our business scope and secured the first construction project for the design and build of transitional housing at Kam Tin, Yuen Long. Expected to complete in 13 months, the project will adopt full application of steel MiC, in support of non-government organisations in expediting the building of transitional housing to address Hong Kong’s long-term housing issue.

As at 30 June 2022, the gross value of contracts on hand was HK\$24.9 billion and the value of outstanding contracts to be completed was HK\$15.2 billion (HK\$23.8 billion and HK\$15 billion respectively as at 31 December 2021). The strong order book will help produce healthy growth in turnover, profit and cash flow in the coming few years.

### **Property – Gradual Recovery from Pandemic Resurgence**

- The property business recorded a loss of HK\$36 million, including valuation loss (net of deferred tax provision) of its property portfolio (1H 2021: HK\$50 million loss).
- Total turnover was HK\$146 million, comprising sales revenue of HK\$26 million, gross leasing income of HK\$49 million, and Hong Kong property management services income of HK\$71 million (1H 2021: HK\$190 million).
- Total gross rental income from retail and office properties before deduction of applicable taxes was RMB26 million (1H 2021: RMB32 million), after rental concessions totalling RMB1.2 million were offered to the tenants battered by the COVID-19 outbreaks.

The resurging waves of COVID continued to hit the investment sentiment for commercial properties generally. The Group saw sluggish sales of the retail shops and SOHO units of Phase 2 of Tianjin Veneto. For the leasing properties, we maintained relatively stable occupancies, and are making good progress with our transformation from local community malls to ones offering greater range of family-friendly and lifestyle elements.

### **OUTLOOK**

Despite market competition for public works contracts remained severely intensified, the expanding public housing construction market and the two 10-year hospital development plans to address healthcare issues of the community will offer tremendous business opportunities to SOCAM in the coming years. To stay competitive, SOCAM has been stepping up efforts to raise construction productivity and enhance project delivery through tightening supply-chain management, attracting younger talents and increase investment in nurturing our employees. We shall also push forward with the operational rationalisation, bring in suitable smart facilities and exploit cost saving opportunities in all respects, thus enabling our assets to achieve sustainable growth in value, and delivering the best possible returns in the longer run.

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

	<b>2022</b>	2021
	(HK\$ million)	(HK\$ million)
<b>Construction</b>	<b>302</b>	214
<b>Property</b>		
(Loss) profit from property sales	<b>(2)</b>	11
Net rental income	<b>9</b>	14
Fair value changes on investment properties, net of deferred tax provision	<b>(18)</b>	(53)
Hong Kong property management	<b>11</b>	5
Net operating expenses and others	<b>(36)</b>	(27)
	<b>(36)</b>	(50)
<b>Net finance costs</b>		
Senior notes	<b>(5)</b>	(44)
Bank and other borrowings	<b>(53)</b>	(28)
<b>Net foreign exchange (losses) gains</b>	<b>(122)</b>	29
<b>Corporate overheads and others</b>	<b>(32)</b>	(33)
<b>Release of cumulative exchange gains upon deregistration of foreign subsidiaries</b>	<b>4</b>	21
<b>Taxation</b>	<b>(57)</b>	(44)
<b>Non-controlling interests</b>	<b>(61)</b>	(45)
<b>Total</b>	<b>(60)</b>	20

The full results announcement is available on the Group's corporate website ([www.socam.com](http://www.socam.com)), under the section of "Investor Relations", and on the "HKExnews" website ([www.hkexnews.hk](http://www.hkexnews.hk)) of the Hong Kong Exchanges and Clearing Limited.

**About SOCAM Development Limited (SOCAM)**

SOCAM (a member of the Shui On Group) is principally engaged in construction and property businesses, with operations spanning Mainland China, Hong Kong and Macau. The Group stood out in public housing construction and prominent design-and-build contracts, and is taking proactive steps to enhance the asset values of its rental properties in Mainland China.