



FOR IMMEDIATE RELEASE

SOCAM Development Announces 2021 Interim Results

(Hong Kong, 27 August 2021) SOCAM Development Limited (“SOCAM” or the “Group”, stock code: 983) announced its 2021 interim results today. For the six months ended 30 June 2021, net profit attributable to shareholders was HK\$20 million, as compared to the net loss attributable to shareholders of HK\$130 million for the corresponding period in 2020. The Group’s turnover increased by 6% against the same period in 2020 to HK\$2.4 billion (1H 2020: HK\$2.25 billion). The Board of Directors does not recommend the payment of an interim dividend (1H 2020: Nil).

RESULTS HIGHLIGHTS

- The construction business reported a 13% increase in profit to HK\$214 million in 1H 2021 (1H 2020: HK\$190 million). Turnover was HK\$2.2 billion, a 6% increase as compared with the same period last year (1H 2020: HK\$2.1 billion).
- Average pre-tax profit margin of the construction works rose to 9.7% (1H 2020: 9.1%).
- New construction contracts worth a total of HK\$2.2 billion were secured during 1H 2021 (1H 2020: HK\$2.0 billion).
- The property business recorded a loss of HK\$50 million after the asset valuation loss of HK\$53 million, on a turnover of HK\$190 million in 1H 2021 (1H 2020: HK\$71 million loss and HK\$168 million turnover).
- The Group recognised revenue of HK\$68 million and profit of HK\$11 million resulting from property sales in 1H 2021 (1H 2020: HK\$80 million and HK\$11 million respectively).
- Total gross rental income from retail and office properties before deduction of applicable taxes in 1H 2021 was RMB32 million (1H 2020: RMB26 million).

BUSINESS REVIEW

Construction – Growing Profit with Strong Order Book

The COVID-19 pandemic had modest impact on the Group’s construction activities in Hong Kong, and the Group managed to maintain a strong order book and achieved higher profit and turnover

during this interim period. Gross value of contracts on hand was HK\$22.5 billion as at 30 June 2021, with contracts to be completed of HK\$16.1 billion (31 December 2020: HK\$23.7 billion and HK\$16.2 billion respectively). Major new contracts secured included a construction contract of a public housing development at Anderson Road Quarry Site and a 3-year term contract for minor works on buildings and lands and other properties for the Architectural Services Department.

The Group continues to place utmost importance on technological advancement, and has expanded the use of new technology to raise operational efficiency and reduce cost. We have also embarked on the provision of smart facility management services to selected clients, in a move to seek greater works diversification and capture the growing opportunities in the facility management market.

Our interior fitting-out arm remains very active in the highly competitive fit-out and refurbishment markets in Hong Kong and Macau. In the first half of 2021, it secured a total of 21 new contracts with an aggregate value of HK\$381 million primarily in the commercial and institutional sectors in Hong Kong, and maintained a healthy order book.

Property – Gradual Recovery from COVID-19

Although the property business recorded a negative contribution in the first half of the year, the rental income and occupancy rates of the Group's shopping malls in the Mainland showed encouraging improvement, as the country's daily routines have generally resumed after the pandemic. The total gross rental income before deduction of applicable taxes from the Group's retail and office properties increased by 22% to RMB32 million in the first six months of 2021, from RMB26 million for the corresponding period in 2020.

Most of our four shopping malls and the Chengdu Centropolitan office recorded increases in occupancy rates during the period. As at 30 June 2021, the occupancy rates of the Chengdu Centropolitan mall, Chongqing Creative Concepts Center, Shenyang Tiandi and Tianjin Veneto Phase 1 were 77%, 84%, 92% and 73% respectively (31 December 2020: 88%, 82%, 88% and 72% respectively). The office tower in Chengdu was 98% let, compared with 90% as at 31 December 2020.

Property sales remained limited, as the inventory was running low. The property sales revenue recognised in the first half of 2021 amounted to HK\$68 million (1H 2020: HK\$80 million), which were mainly contributed by the Tianjin Veneto Phase 2 and Nanjing Scenic Villa projects.

OUTLOOK

China economy has recovered swiftly from the second quarter of 2020, returning to the pre-pandemic growth path. In Hong Kong, business sentiment is expected to improve further amid receding epidemic situation, stabilised social conditions and tranquility with the National Security Law in place, and improved operating environment.

SOCAM has been sharpening our focus on the booming public sector construction in Hong Kong, as we believe our construction business will usher in a tide of opportunities in the coming years. By adopting innovative new technologies in design and construction processes, increasing digitalisation of our operations, and implementing various initiatives to expand and develop our construction workforce, we strive to strengthen business sustainability and enhance our competitiveness. We will also continue to adopt a prudent strategy, and at the same time, remain alert to acquisition and disposal opportunities to create value for shareholders.

Summary of Financial Results for the Six Months Ended 30 June

	2021 (HK\$ million)	2020 (HK\$ million)
Construction	214	190
Property		
Profit from property sales	11	11
Net rental income	14	1
Fair value changes on investment properties, net of deferred tax provision	(53)	(38)
Disposal of interest in Dalian Tiandi	3	3
Hong Kong property management	5	5
Net operating expenses	(30)	(53)
	(50)	(71)
Net finance costs		
Senior notes	(44)	(74)
Bank and other borrowings	(28)	(21)
Net foreign exchange gains (losses)	29	(44)
Corporate overheads and others	(33)	(36)
Release of cumulative exchange gains upon deregistration of foreign subsidiaries	21	-
Taxation	(44)	(40)
Non-controlling interests	(45)	(34)
Total	20	(130)

Turnover for the Six Months Ended 30 June

	2021 (HK\$ million)	2020 (HK\$ million)
Turnover		
SOCAM and subsidiaries		
Construction	2,207	2,083
Property	190	168
Total	2,397	2,251
Joint ventures		
Others	5	4
Total	2,402	2,255