



FOR IMMEDIATE RELEASE

SOCAM Development Announces 2013 Interim Results

(Hong Kong, 28 August 2013) SOCAM Development Limited (“SOCAM”, stock code: 983) today announced its interim results for the six months ended 30 June 2013.

The Group’s turnover was HK\$4,784 million for the six months ended 30 June 2013, a 81% increase from the interim period of 2012. Consolidated profit after taxation and non-controlling interests was HK\$53 million, as compared with a loss of HK\$175 million for the same period last year. In view of the challenging market conditions, the Board has resolved not to declare an interim dividend.

Financial highlights are as follows:

	For the six months ended	For the six months ended
	30 June 2013	30 June 2012
Turnover:	HK\$4,784 million	HK\$2,650 million
Profit (loss) attributable to shareholders:	HK\$53 million	(HK\$175 million)
Basic earnings (loss) per share:	HK\$0.11	(HK\$0.36)
	At 30 June 2013	At 31 December 2012
Total assets:	HK\$23.6 billion	HK\$23.7 billion
Net assets:	HK\$10.5 billion	HK\$10.6 billion
Net asset value per share:	HK\$21.25	HK\$21.51
Net gearing:	48.0%	45.5%

Since the announcement of the strategic monetisation plan of our property portfolio in March 2013, the Group has been closely monitoring market conditions and divestment opportunities. In light of recently improved market sentiment in the China property market, the Company is cautiously positive, and is actively seeking sales opportunities to unlock the best possible values of the Group’s assets.

In Hong Kong, SOCAM has leveraged on its solid track record of timely and quality delivery to capture several major construction contracts during the period. New contracts totaling approximately HK\$2 billion were secured.

BUSINESS REVIEW

Property

The challenging atmosphere continues to prevail in the China property market, where several rounds of cooling measures are still in effect.

The first half of 2013 saw noticeable progress in the construction of our development projects. Despite the difficult market conditions, we have kept close to our completion and handover schedules. We continue to drive en-bloc sales to interested investors, which, from our track records, are the most effective ways of disposal.

During the period, SOCAM completed two en-bloc sales of the Guangzhou Panyu Project and a premium office tower of Shenyang Project Phase I to the Ping An Insurance Group, in March and June respectively. The marketing of other SOCAM developments progressed satisfactorily and the residential units of Beijing Centrium Residence and Guangzhou Parc Oasis are well received. However, the high end property sector has suffered badly under the continuous austerity measures and downward adjustment of the economy and we have seen sales of the luxurious Four Seasons Place branded residences slowing down significantly.

Revenue from the property business increased significantly to HK\$2,530 million, from HK\$218 million for the last interim period, as delivery of the apartment units of the Group's major developments, hence recognition of property sales revenue, started in the fourth quarter of last year.

In the current interim period, the turnover mainly came from strata-title sales of residential units of Guangzhou Parc Oasis and the two en-bloc disposals. Beijing Centrium Residence and Shanghai Four Seasons Place also began to recognise property sales revenue from the second half of 2012 upon handover. Together with the 22%-owned Dalian Tiandi, the Group's share of property sales revenue from these joint developments increased to HK\$618 million for the current interim period, compared with HK\$105 million in the same period last year. Profit from the property business was HK\$391 million, compared with a loss of HK\$35 million for the same period last year.

Construction

The construction market in Hong Kong continues to flourish with large number of projects commissioned in the public sector. As tendering opportunities increase, the local construction industry has been faced with competitive operating environment, which features a shortage of labour and escalation in the cost of materials.

Turnover from the construction and building maintenance businesses for the current period was steady following the substantial addition of workload in Hong Kong and the Mainland during 2012. A stable profit of HK\$70 million in the first half of the year was made which was comparable to that of the same period last year, as average net profit margin increased to 3.1% from 2.9%, despite upsurges in costs.

Leveraging on SOCAM's solid experience and leading position in the industry, the Group secured new contracts totaling approximately HK\$2 billion in this interim period. As at 30 June 2013, the gross value of contracts on hand was approximately HK\$19.5 billion and the value of outstanding contracts to be completed was approximately HK\$10.3 billion, compared with approximately HK\$17.4 billion and HK\$10.0 billion respectively as at 31 December 2012.

Cement

Cement prices in the Chinese Mainland have gradually recovered in the first half of 2013. Although over-capacity situation in the Southwest Region still persists, the balance on demand and supply is expected to become more favorable in the next two years as local and central authorities continue to tighten new capacity approval and eliminate backward and energy-inefficient producers.

Amid keen competition, the results of Lafarge Shui On Cement (LSOC) slightly improved in the first half of 2013. Total sales volume for the period was approximately 13.2 million tonnes, marginally higher than that of the same period last year. Despite average selling prices falling by only 2%, margins improved with variable costs decreasing by approximately 10%, due mainly to lower fuel costs.

Construction of new dry kilns in Hedigang and Luquan, Yunnan with respective capacities of 2,500 and 4,600 tonnes per day were in progress. The Hedigang plant is expected to commence production in the fourth quarter of this year.



LSOC's plan to inject cement plants into Sichuan Shuangma Cement, a listed company on the Shenzhen Stock Exchange, remains in progress, and will be subject to approvals by relevant regulatory authorities.

Despite the projected improvement in the industry, SOCAM will continue to pursue the planned exit strategy for its interest in LSOC, as formalised in a road map agreed between the joint venture partners in December 2012.

Outlook

SOCAM embarked on a plan of monetisation of our property portfolio in China in March this year. As a result, the Group has received a number of enquiries from interested buyers as a large part of our portfolio is completed properties of very good quality and projects under development are situated in sought-after locations. The recently improved sentiment in the property market in the Mainland as well as the need for property developers to replenish their land bank resulted in price ranges under discussion with potential buyers becoming more favourable to SOCAM. We shall take advantage of this change in market sentiment to unlock the most appropriate values for our shareholders.

A promising outlook for SOCAM's construction business prevails. We see a healthy flow of projects in the pipeline at a time when public works projects are being actively launched by the HKSAR Government and the home ownership scheme is likely to be revived in the near future. SOCAM is well poised to capture the market opportunities despite the competitive tendering environment, given that our construction operation has long been our core competence. With due caution on the rising material and labour costs, we expect our construction business will contribute more to our profitability, as well as to the wider community of Hong Kong in terms of quality delivery and environmental friendliness.

Meanwhile, the Group will continue to pursue our planned exit strategy for our interest in LSOC, a joint venture.

Against this background, the Group is cautiously optimistic on its areas of operations and business activities, albeit unforeseeable variations are unavoidable during the course of our monetisation program.

Summary of Financial Results for the Six Months Ended 30 June 2013

	Six months ended	Six months ended
<i>In HK\$ million</i>	30 June 2013	30 June 2012
Property		
Project fee income	38	41
Profit from property sales and net rental income	368	28
Fair value gain on investment properties, net of deferred tax provision	13	60
Share of results of joint ventures and associates	62	(32)
Net operating expenses	(90)	(132)
	391	(35)
Construction	70	71
Cement operations		
LSOC	7	4
Guizhou cement	5	(2)
	12	2
Dividend income from Shui On Land	1	14
Venture capital investments	(32)	(6)
Net finance costs	(152)	(117)
Corporate overheads and others	(42)	(63)
Taxation	(187)	(27)
Non-controlling interests	(8)	(14)
Total	53	(175)

- End -



About SOCAM Development Limited (SOCAM)

Listed on the Hong Kong Stock Exchange in February 1997, SOCAM Development Limited (HKSE Stock Code : 00983) is a member of the Shui On Group, and is principally engaged in property and construction businesses, and investment in cement, with operations covering strategic areas and major cities in the Chinese Mainland, Hong Kong and Macau.

This press release is also available at www.socam.com.

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