

FOR IMMEDIATE RELEASE

SOCAM Development Announces 2013 Annual Results

(Hong Kong, 28 March 2014) SOCAM Development Limited (“SOCAM” or the “Group”, stock code: 983) today announced its results for the year ended 31 December 2013. The total turnover increased by 23% to HK\$7.9 billion (2012: HK\$6.4 billion). The loss attributable to shareholders was HK\$889 million (2012 restated profit: HK\$459 million) with loss per share at HK\$1.81 (2012: restated earnings per share of HK\$0.93). The net gearing ratio was 48% (2012 restated: 47%).

The Board of Directors has recommended that no final dividend be distributed (2012: HK\$0.50 per share).

Financial highlights are as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2012 (restated)
Turnover:		
Company and subsidiaries:	HK\$7,952 million	HK\$6,443 million
Share of joint ventures and associates:	HK\$4,460 million	HK\$4,892 million
Total:	HK\$12,412 million	HK\$11,335 million
(Loss) profit attributable to shareholders:	HK\$(889) million	HK\$459 million
Basic (loss) earnings per share:	HK\$(1.81)	HK\$0.93
Total dividends per share:	-	HK\$0.50
	At 31 December 2013	At 31 December 2012 (restated)
Total assets:	HK\$23.1 billion	HK\$23.3 billion
Net assets:	HK\$9.3 billion	HK10.2 billion
Net asset value per share:	HK\$19.26	HK\$20.76
Net gearing:	48.3%	47.1%

A number of factors significantly impaired our performance. Our property business, in particular, the sales of the Four Seasons Place branded residence, which we previously had high expectations on profit contributions, was adversely affected by the sluggish luxury property sector in the Chinese Mainland following a series of restrictive government measures. In addition, in line with SOCAM’s monetisation plan, acquisitions of major property projects were curtailed in the past two years which had a significant effect on the Group’s income from this sector in 2013.



Our plan to dispose of the Group's interests in the cement joint venture remains our top priority, and discussions with potential buyers continue. However, the very stringent criteria of the relevant financial reporting requirements in Hong Kong do not allow the continued classification of our investment in Lafarge Shui On Cement ("LSOC") at the year end as asset held for disposal, and re-classification of this investment under "interests in joint ventures" is required, contributing to the material loss during the year and the restated earnings for 2012.

Mr. Vincent H.S. Lo, Chairman of SOCAM said, "The operating environment in 2013 has turned much more challenging towards the latter part of the year. In 2014, we shall continue to implement our monetisation plan to unlock the values in our property portfolio and to pursue an exit from the cement business. We shall also increase our focus on developing our construction business to capture the growing opportunities arising from infrastructural and housing development in Hong Kong. I expect that the Group's restructuring exercise will eventually bear fruit and sincerely hope that shareholders would understand the currently not-so-encouraging phase of adjustment and transition."

Mr. Lawrence Y.K. Choi, Vice Chairman and Managing Director of SOCAM said, "We have been implementing the monetisation plan diligently in 2013, taking into account market conditions and the quality of offers from potential buyers. During the year, we completed two en-bloc sales in Guangzhou Panyu and Shenyang Project Phase I respectively, and entered into an agreement to sell an 80% interest in Shenyang Project Phase II. In parallel, the Group continued to step up sales for its key completed projects. Our construction business recorded another satisfactory year of performance. But there was substantial loss in our cement business because of lingering overcapacity in the sector and fierce competition."

BUSINESS REVIEW

Property Business

In March 2013, the Group announced a formal monetisation plan which aims at achieving timely divestment of a significant proportion of its property assets to generate value for shareholders. Throughout the year, the monetisation exercise was being implemented in an orderly manner, taking into account market conditions and the quality of offers from potential buyers, with the overarching objective of realising the value of the property assets in the most efficient manner.

As of 31 December 2013, SOCAM owned 12 special situation property projects, with a total developable gross floor area ("GFA") attributable to the Group of approximately 2.1 million square metres ("sq.m.") in nine Mainland cities, namely Beijing, Chengdu, Chongqing, Guangzhou,

Guizhou, Nanjing, Shanghai, Shenyang and Tianjin.

During the year, the Group completed two en-bloc sales in Guangzhou Panyu and Shenyang. The disposals of the Guangzhou Panyu project and an office tower in Shenyang Project Phase I realised gross proceeds of approximately HK\$1.1 billion.

In addition, the Group entered into an agreement to sell an 80% interest in Shenyang Project Phase II, a mixed-use development of 653,000 sq.m. GFA, in December 2013, realising gross proceeds of approximately HK\$1.5 billion. The proceeds would be recognised in 2014 on completion of the transaction in January 2014. According to the agreement, the Group will dispose of its remaining 20% interest to the same buyer within 18 months.

The Group continued to step up sales for its key completed projects, including Four Seasons Place in Shanghai, and the remaining units at Beijing Centrium Residence, Guangzhou Parc Oasis and Shenyang Project Phase I. The progress and performance was however impacted by the sluggish luxury property sector sales as a result of a series of restrictive government measures. Shanghai Four Seasons branded residence, in particular, were unable to command the desired prices and profits though a meaningful number of units were sold. Towards the end of the year, the Group also put Shanghai Lakeville Regency Tower 18 to sale and launched the pre-sale of the first batch of residential units in Chengdu Centropolitan in December as planned.

Meanwhile, Dalian Tiandi, our knowledge Community Project, was progressing as planned. As at 31 December 2013, a total GFA of 425,000 sq.m. was completed and the leasable and saleable GFA under construction totaled 903,000 sq.m.. The overall office occupancy rate stood at 75%.

Construction Business

The Group's construction business recorded another satisfactory year of performance and won new contracts totaling approximately HK\$7,463 million (2012: HK\$8,826 million). Total turnover was HK\$4,829 million (2012: HK\$5,358 million). Operating profit was HK\$120 million (2012: HK\$167 million).

As at 31 December 2013, the gross value of contracts on hand was approximately HK\$17.8 billion and the value of outstanding contracts to be completed was approximately HK\$13.4 billion, compared with HK\$17.4 billion and HK\$10.0 billion, respectively as at 31 December 2012.

With the HKSAR government's commitment to accelerate the building of public housing to meet the shortage of affordable units, the expansion of public facilities and infrastructure, coupled with the



demand in Macau, there is an abundance of opportunities in the construction market. Whilst the outlook in the sector is promising, competition is still fierce and the serious shortage of skilled labour and subcontracting resources have resulted in a rapid increase in costs which is expected to continue. The Group's experience and capabilities in timely and quality delivery, however, will ensure that we maintain a good share in the expanding market.

Cement Business

In 2013, cement output in China increased by 9.3% year-on-year, reaching 2.42 billion tonnes. Nevertheless, overcapacity problems continued to linger. In Southwest China, where LSOC is operating, the fierce competition arising from over-capacity continued to push cement prices and profitability down. Against this backdrop, the results of LSOC were most dissatisfactory for the third year running.

Total sales volume for 2013 slightly increased to approximately 28 million tonnes. Under tremendous pressure from intensified competition, however, cement prices in all the operating areas of LSOC saw an average decrease of approximately 1%, while variable costs of production decreased by approximately 8% as a result of lower fuel costs. Substantial losses continued for the year, despite improved margins, due to high financing cost and impairment loss provision on assets.

LSOC's plan to inject cement plants into Sichuan Shuangma Cement, a Shenzhen Stock Exchange listed company, remains in progress. After receiving overwhelming approval from the independent shareholders in January 2014, it is expected that China Securities Regulatory Committee's approval will be obtained in the second quarter of 2014. Meanwhile, the Group remained firmly committed to divesting its interest in LSOC as planned to free up the financial resources and return them to shareholders.

OUTLOOK

The Group is committed to executing its monetisation plan to unlock the value of its property portfolio. The progress, however, will be subject to a range of factors including market conditions in the Chinese Mainland property sector, cost of the properties concerned and cashflow generated. The Group's overall goal shall remain the maximisation of value for shareholders.

The Group is also actively exploring the most effective way to realise the significant capital locked up in the cement investment.

Meanwhile, the Group will step up efforts to manage down operating costs. With the disposal of



Guangzhou Panyu project and an office tower in Shenyang Project Phase I, as well as the conclusion of the sale of Shenyang Project Phase II, net cash proceeds of approximately HK\$2 billion have been generated. The proceeds from the monetisation plan will help lower the Group's net borrowing and, hence reduce financing costs in 2014.

Summary of Financial Results for the Year Ended 31 December 2013

	Year ended 31 December 2013	Year ended 31 December 2012
	HK\$ million	HK\$ million (restated)
Property		
Project fee income	77	84
Profit from property sales and net rental income	244	134
Fair value gain on investment properties, net of deferred tax provision	187	185
Gain on disposal of subsidiaries	–	492
Share of results of joint ventures and associates	(117)	300
Net operating expenses	(201)	(233)
	190	962
Construction		
Operating profit	115	163
Land resumption compensation	–	89
	115	252
Cement operations		
LSOC	(160)	(324)
Guizhou cement	11	(4)
Net impairment losses	(126)	(15)
	(275)	(343)
Investment in SOL		
Dividend income	2	17
Net gain on disposal of shares	–	134
	2	151
Venture capital investments	(88)	(73)
Net finance costs	(264)	(262)
Corporate overheads and others	(172)	(117)
Taxation	(380)	(85)
Non-controlling interests	(17)	(26)
Total	(889)	459



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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