瑞安建業
SOCAM DEVELOPMENT

**FOR IMMEDIATE RELEASE**

# SOCAM Development Announces 2015 Interim Results

**(Hong Kong, 28 August 2015) SOCAM Development Limited** ("SOCAM" or the "Group", stock code: 983) today announced its results for the six months ended 30 June 2015. Total turnover was HK$4,446 million (2014: HK$4,888 million). The loss attributable to shareholders amounted to HK$629 million (2014: HK$573 million), and loss per share was HK$1.30 (2014: HK$1.18). The Board has resolved not to declare an interim dividend (2014: Nil).

| | **For the 6 months ended 30 June 2015** | For the 6 months ended 30 June 2014 |
|---|---|---|
| Turnover | | |
| Company and subsidiaries | **HK$2,786 million** | HK$2,765 million |
| Share of joint ventures and associates | **HK$1,660 million** | HK$2,123 million |
| Total | **HK$4,446 million** | HK$4,888 million |
| Loss attributable to shareholders | **HK$629 million** | HK$573 million |
| Basic loss per share | **HK$1.30** | HK$1.18 |
| | **At 30 June 2015** | At 31 December 2014 |
| Total assets | **HK$16.9 billion** | HK$18.5 billion |
| Net assets | **HK$7.2 billion** | HK$7.8 billion |
| Net asset value per share | **HK$14.9** | HK$16.2 |
| Net gearing | **54.1%** | 53.7% |

Our asset monetisation plan made encouraging progress in the first half of 2015 against a challenging macro economic environment. Since the beginning of this year, we have concluded three major disposals, representing significant milestones in our divestment programme.

Lafarge and Holcim announced in July the successful completion of their global merger; hence the disposal of our 45% interest in Lafarge Shui On Cement (LSOC) for a cash consideration of HK$2.55 billion was closed on 11 August 2015. In addition, the Group completed the disposal of its 65% interest in the Beijing Centrium Residence Project and its 80% shareholding in the Shanghai 21st Century Tower Project, comprising Four Seasons Hotel Pudong and branded residence Four Seasons Place in April and July for cash considerations of HK$429 million and

HK$640 million attributable to the Group respectively.

**Property Business**

Since November 2014, the Chinese Government has implemented a series of measures, including interest rate cuts, along with gradual easing of austerity measures and restrictions on mortgage lending. As a result, there has been progressive improvement in sentiment and the average price of new houses started to see a modest increase. However, the high level of housing inventories remains an obstacle to recovery in the short term and continue to exert pressure on prices in second and third tier cities.

The Group’s property business reported a reduced loss for the current interim period, which was largely due to lower net operating expenses as the Group's monetisation plan progresses and less foreign exchange losses incurred on bank borrowings on relatively stable exchange rate of Renminbi against Hong Kong dollars during this interim period.

Following the successful disposals of two property projects as aforementioned, at 31 July 2015, SOCAM owned 9 special situation property projects, with a total developable, attributable gross floor area (“GFA”) of approximately 1.55 million square metres.

Pre-sale of the residential units of Chengdu Centropolitan since September 2014 has met with good response. As at 31 July 2015, more than 83% of the 1,718 residential units put up for sale have been contractually sold. Further sales launch of the remaining stock of 269 residential units and the serviced apartments is scheduled for the coming months.

The first phase of the retail development Tianjin Veneto with a GFA of 65,500 square metres, has seen satisfactory customer flow since its opening in January 2015. At the end of June, the main street retail section of this phase was 80% leased. For Chongqing Creative Concepts Center, the retail mall recorded an occupancy rate of about 70% during the period.

Following the disposal of an 80% interest in Shenyang Project Phase II in January 2014, the Group will sell the remaining 20% interest to the same buyer in the 3rd quarter of 2015 according to the agreement.

In Dalian Tiandi, our knowledge community project, the leasable and saleable GFA completed and under construction were 307,000 square metres and 1,026,000 square metres respectively as of 30 June 2015. The overall office occupancy rate was about 82%.

## Construction Business

The focus of the HKSAR Government on expanding the public housing programme and increasing land supply for more private flats has created a strong market for the construction industry. Amid the buoyant market, the twinned issues of skilled labour shortage and resultant rise in labour cost remain a challenge for the industry. To relieve the pressure on costs, our construction division continued with its improvement on operating efficiency, resulting in enhancement of our core competitiveness.

With a well-established track record, the Group's construction division in Hong Kong and Macau again delivered solid growth during the period, and recorded an operating profit of HK$60 million (2014 restated: HK$32 million), while turnover increased significantly by 50% to HK$2,597 million (2014 restated: HK$1,727 million). The comparative figures in 2014 have been restated to exclude the profit and turnover of the Mainland operation, which was sold in October 2014. New contracts totalling approximately HK$3.2 billion were secured.

As of 30 June 2015, the gross value of contracts on hand was approximately HK$18.3 billion, and the value of outstanding contracts to be completed was approximately HK$11.9 billion (HK$16.6 billion and HK$11.4 billion respectively at 31 December 2014).

Although the gaming industry in Macau recently suffers a considerable decrease in revenue, Pat Davie (PDL), the interior fitting-out and building renovation arm, continued to capture the business opportunities in Macau by leveraging its core competitive edges. During the period, PDL secured interior decoration contracts worth approximately HK$797 million (2014: HK$790 million).

## Cement Business

The cement industry in the southwestern region continued to suffer from over-capacity problems and intensified competition, resulting in a year-on-year decrease in cement prices of approximately 16% at the end of June 2015.

Against this competitive environment, the Group's cement joint-venture LSOC, a major cement producer in southwest China, recorded yet another half year of substantial loss, of which the Group's share was HK$276 million, primarily due to price and volume decreases, reduced margins and high financing cost. Total sales volume for the first half was approximately 12.5 million tonnes. As of June 2015, LSOC had 20 cement plants in operation, with a production capacity of approximately 32 million tonnes per annum.

## OUTLOOK

Global economic growth is likely to remain moderate. However, the impending interest rate increase in the United States and the conflicting policy directions of the central banks of other major economies pose ongoing uncertainty. The Greek debt crisis and fragile recovery of the Eurozone as well as the economic slowdown on the Chinese Mainland, are likely to render business environment challenging for the rest of the year.

On the other hand, the construction industry in Hong Kong is full of thriving opportunities; however, intense competition, shortage of labour and rising costs putting continued pressure on profitability.

The intense volatility of China's stock markets and the uncertainty created may have an impact on the economic performance in the Mainland in the second half of the year. Nevertheless, the overall property market should see sustaining volume recovery following the implementation of supportive monetary and regulatory policies by the Central Government. Management will closely monitor the market and will seize every opportunity to part with our projects if reasonable offers are forthcoming. However, our property business will continue to face keen competition and downward pressure on prices in second-tier Mainland cities due to the large volume of stock left over from the past few years.

With significant inroads in the monetisation plan, in particular, the completion of the exit from LSOC, our financial position has been strengthened. This places the Group in a better position to weather any uncertainties in business environment, and the Group will direct its attention to growing the construction business and realising as soon as practicable the values of our remaining property assets.

**Summary of Financial Results for the Six Months Ended 30 June 2015**

| | **Six months ended 30 June 2015 HK$ million** | Six months ended 30 June 2014 HK$ million |
|---|---|---|
| **Property** | | |
| Net loss on property sales and net rental expenses | **(7)** | (20) |
| Fair value changes on investment properties, net of deferred tax provision | **(4)** | (6) |
| Share of results of joint ventures and associates | **(164)** | (167) |
| Net loss on disposal of a subsidiary and joint ventures | **–** | (27) |
| Operating expenses, net of project fee income | **(46)** | (73) |
| | **(221)** | (293) |
| **Construction** | **60** | 45 |
| **Cement operations - LSOC** | **(272)** | (132) |
| **Venture capital investments** | **(12)** | (12) |
| **Net finance costs** | **(127)** | (136) |
| **Corporate overheads and others** | **(27)** | (31) |
| **Taxation** | **(25)** | (7) |
| **Non-controlling interests** | **(5)** | (7) |
| **Total** | **(629)** | (573) |

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