FOR IMMEDIATE RELEASE

SOCAM Development Announces 2014 Annual Results

(Hong Kong, 26 March 2015) SOCAM Development Limited ("SOCAM" or the "Group", stock code: 983) today announced its results for the year ended 31 December 2014. The total turnover was HK$6.1 billion (2013: HK$8.0 billion). The loss attributable to shareholders was HK$1,374 million (2013: HK$889 million) with loss per share at HK$2.84 (2013: HK$1.81).

The Board of Directors has recommended that no final dividend be distributed (2013: Nil).

The uncertain global recovery, coupled with moderate economic growth and weak property market on the Chinese Mainland, created a most challenging operating environment for the Group in 2014. The economic slowdown and continuous austerity measures and restrictive mortgage policies resulted in yet another difficult year for the property market as well as our property business. In the keenly competitive cement market, our 45% owned Lafarge Shui On Cement (LSOC), once again posted very discouraging results. Nevertheless, our construction business recorded another solid performance. The Company has also seen steady and meaningful progress in its monetisation strategy, culminating in a significant milestone in the first quarter of 2015.

On 3 March 2015, the Group signed an agreement with Lafarge to dispose of its 45% interest in LSOC for a cash consideration of HK$2.55 billion. Completion of the transaction is subject to the successful merger of Lafarge and Holcim, which is expected to close in July 2015. This will free the Group from the negative impact of recurring operating losses of the joint venture and is an important step in our exit strategy. The net proceeds will enable us to reduce our bank borrowings significantly and strengthen our balance sheet, and a small gain will be recognised on the disposal.

During the year, the Group successfully concluded two en-bloc property sales and disposed of its building construction and interior fitting-out businesses on the Chinese Mainland. An agreement was signed in January 2015 to sell the Beijing Centrium Residence Project, in which SOCAM had a 65% interest.

Mr. Vincent H.S. Lo, Chairman of SOCAM said, "Despite a disappointing set of financial results for 2014, management believes that many of the major factors causing the unsatisfactory performance of the Group in the past two years are now behind us. It is in particular encouraging to see a breakthrough in our monetisation plan when we signed an agreement with Lafarge to divest our investment in LSOC. Meanwhile, continued economic expansion in China and steady growth in Hong Kong will provide a more re-assuring environment for our businesses. With the sales of our remaining property portfolio, the Group will then be able to focus on its core business of construction in Hong Kong, which has always been our strength."

BUSINESS REVIEW

Property Business

Property sales had a slow start in 2014 as a result of the unprecedentedly difficult market conditions on the Mainland until the fourth quarter. A potential offer received in March 2014 to acquire the shares of SOCAM from the controlling shareholder also curtailed the activities in the few months of due diligence. Nevertheless, the Group managed to make steady progress during the year.

Two en-bloc sales in Shenyang Project Phase II and Tianjin Project Phase II were completed in the first half. With the relaxation of austerity measures in the final quarter and a less restrictive lending policy, strata-title sales activities started to pick up towards the end of the year. The sales of the remaining inventories at Shanghai Lakeville Regency Tower 18, Beijing Centrium Residence, Guangzhou Parc Oasis and the launch of Chengdu Centropolitan, together provided a meaningful amount of cash proceeds that helped the Group reduce its bank borrowings and finance the development of remaining projects.

Among the sales activities, the progress of Chengdu Centropolitan, an 81% owned mixed-use development offering approximately 476,700 square metres of GFA, was encouraging. More than half of the 2,000 residential units put up for pre-sale have been sold since its launch in September 2014, despite the lower than expected prices due to severe market competition in that city.

The retail-led development with service apartments in Tianjin, which SOCAM owns a 45% interest, launched its first phase of the retail section in January 2015 and customer flow is encouraging.

While the Group remained vigilant in choosing the most appropriate mode and the timing of disposals, certain of the sales were at considerations lower than book costs. Together with overheads, sales and marketing expenses and taxes, a loss of HK$779 million was incurred by the property division.

Construction Business

The HKSAR Government is determined to resolve the shortage of affordable accommodation and is committed to accelerating the building of public housing, targeting the delivery of an average of about 20,000 public rental units and 9,000 subsidised flats for sale per annum for the next ten years. This will provide tremendous market opportunities for the Group.

While the market outlook is promising, the sector is still facing a competitive tendering environment and rapid rises in costs, mainly due to shortage in skilled labour. In its latest policy address in January 2015, the HKSAR Government vowed to introduce measures to help the industry manage labour shortage issues and escalating construction costs. Management has also been proactive to enrich staff technical know-how and enhance our core competitiveness. Through strategic partnering with reliable subcontractors, the division continues to improve its operational efficiency.

The Group's construction business had another year of solid performance and recorded an operating profit of HK$112 million. Turnover increased by 16% to HK$5,599 million (2013: HK$4,829 million). As at 31 December 2014, the gross value of contracts on hand was approximately HK$16.6 billion and the value of outstanding contracts to be completed was approximately HK$11.4 billion, compared to HK$14.8 billion and HK$11.5 billion at 31 December 2013 respectively which have been re-stated to exclude the contracts for the Mainland operation which was sold in October 2014.

Cement Business

The cement industry in the southwestern region, where LSOC operates, continued to be hard-hit by over-capacity problems and suffered a further decrease in cement prices and profitability.

LSOC saw another year of substantial loss and the loss attributable to the Group was HK$325 million, mainly due to price decrease, reduced margins and high financing cost. Total sales volume was approximately 28 million tonnes, which was marginally higher than that of 2013. Cement prices in all the operating areas of LSOC continued to come under considerable pressure on intensified competition and sluggish demand, and saw a further decline of approximately 2.7% on average in 2014. On the other hand, variable costs of production dropped by approximately 2.5%, attributable mainly to lower coal cost.

OUTLOOK

The Group is committed to executing its monetisation plan to realise the asset values and looks forward to exiting the investment in LSOC in the not-too-distant future because of the impending sale. Meanwhile, in the course of monetising our property portfolio, we are always mindful of the benefits which early realisations can bring to the Company, to cash flow, to the reduction of interest costs, and to enabling the streamlining of our manpower needs. With the substantial repayment of bank borrowings, SOCAM will be in a better position to consider distributing dividends.

On the construction front, the outstanding track record and leading market position of our construction business put us at the forefront of the growing public housing market. The Group is well-placed to capture the thrilling opportunities and ride on our solid foundation to utilise our strengths in the Hong Kong market.

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SOCAM DEVELOPMENT

Summary of Financial Results for the Year Ended 31 December 2014

	Year ended 31 December 2014 HK$ million	Year ended 31 December 2013 HK$ million
Property		
(Loss) profit from property sales and net rental income	**(38)**	244
Fair value changes on investment properties, net of deferred tax provision	**(39)**	(7)
Share of results of joint ventures and associates	**(428)**	(117)
Net loss on disposal of a subsidiary and joint ventures	**(27)**	–
Operating expenses, net of project fee income	**(198)**	(124)
	(730)	(4)
Construction		
Operating profit	**112**	115
Gain on disposal of Mainland operations	**9**	–
	121	115
Cement operations		
LSOC	**(317)**	(286)
Guizhou cement	**4**	11
	(313)	(275)
Venture capital investments	**(28)**	(88)
Net finance costs	**(258)**	(264)
Corporate overheads and others	**(71)**	(170)
Taxation	**(80)**	(186)
Non-controlling interests	**(15)**	(17)
Total	**(1,374)**	(889)

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