



FOR IMMEDIATE RELEASE

SOCAM Development Announces 2015 Annual Results

(Hong Kong, 23 March 2016) SOCAM Development Limited (“SOCAM” or the “Group”, stock code: 983) today announced its results for the year ended 31 December 2015. Total turnover was HK\$5.9 billion (2014: HK\$6.1 billion). The loss attributable to shareholders was HK\$1,126 million (2014: HK\$1,374 million) with loss per share at HK\$2.33 (2014: HK\$2.84). The Board of Directors has recommended that no final dividend be distributed (2014: Nil).

	For the year ended 31 December 2015	For the year ended 31 December 2014 (Re-presented)
Turnover		
Company and subsidiaries	HK\$5,916 million	HK\$6,102 million
Share of joint ventures and associates	HK\$363 million	HK\$640 million
Total	HK\$6,279 million	HK\$6,742 million
Loss attributable to shareholders	HK\$1,126 million	HK\$1,374 million
Basic loss per share	HK\$2.33	HK\$2.84
	At 31 December 2015	At 31 December 2014
Total assets	HK\$12.3 billion	HK\$18.5 billion
Net assets	HK\$5.5 billion	HK\$7.8 billion
Net asset value per share	HK\$11.4	HK\$16.2
Net gearing	21.0%	53.7%

MONETISATION PROGRESS

- ♦ A major milestone was achieved by completing the disposal of the Group's 45% interest in Lafarge Shui On Cement (LSOC) to Lafarge for a cash consideration of HK\$2.55 billion in August 2015. It liberated the Group from the continued significant losses to be incurred by the joint-venture, while providing substantial cash flow to the Group and strengthening its financial position.
- ♦ Two property assets sales were completed, including the disposal of the 65% interest in Beijing Centrium Residence and the 80% interest in the Shanghai 21st Century Tower



Project, comprising the Four Seasons Hotel Pudong and branded residences Four Seasons Place. These two transactions realised aggregate proceeds of approximately HK\$1.1 billion and offloaded off balance sheet bank borrowings totaling HK\$1.3 billion attributable to the Group.

- ♦ Two additional disposals were made in January 2016 by divesting the remaining 20% interest in the Shenyang Project Phase II for approximately HK\$364 million, and disposing of the land parcels located in Zunyi, Guizhou for a total consideration of approximately HK\$463 million.

BUSINESS REVIEW

Property Business

In the Chinese Mainland, the residential property market witnessed marked difference in performance among different tiers of cities, with a relatively high level of overall inventory, causing a general decline in house prices in the second to fourth tier cities. Amidst slower economic growth, shopping centre supply remains abundant across these cities, resulting in downward pressure on retail rents and sales.

As of 31 January 2016, SOCAM owned seven special situation projects, with a total developable GFA attributable to the Group of approximately 0.64 million square metres. Amidst the highly competitive market, we continued the sale activities of our remaining inventories in Guangzhou Parc Oasis and Shanghai Lakeville Regency Tower 18. The pre-sale activities in Chengdu Centropolitan and Nanjing Scenic Villa projects have elicited encouraging market responses.

Chengdu Centropolitan had its sales launch in September 2014, and the pre-sale is successful with 1,761 residential units out of 1,987 units sold up to February 2016. Nanjing Scenic Villa started the pre-sale of its first phase of apartments in August 2015 and received enthusiastic responses, with nearly 100 units out of 114 subscribed or sold by end of February 2016 at reasonably good prices.

Tianjin Veneto is a project jointly-developed with the SoTan Fund on a 50-50 basis, which comprises a retail mall, with a total GFA of 98,100 square metres scheduled to be fully completed in 2017. The first phase, with a GFA of 65,500 square metres, was opened by stages since January 2015, and 66% retail spaces of the first phase were leased as at January 2016. For



Chengdu Centropolitan, the construction of the office and serviced apartment towers and the shopping mall is expected to complete in the first half of 2016. In Chongqing, the mall at the Creative Concepts Center was 70% leased at the end of January 2016, and the Company is now repositioning the mall with a view to enhancing its value. Shenyang Project Phase I is facing a high level of vacancy rates of retail properties as a result of stiff competition in the city. At the end of January 2016, approximately 64% of its retail space was leased.

Meanwhile, the prices of certain property sales were unavoidably lower than book costs because of the continued weak market conditions and the high carrying cost of the properties concerned. Taking into account overheads, sales and marketing expenses and taxes, the property division recorded a loss of HK\$1,019 million (2014: HK\$779 million).

The results for the year were also adversely affected by the Group having to recognise foreign exchange losses amounting to HK\$169 million, largely due to the depreciation of the Renminbi against the Hong Kong dollar.

Construction Business

The construction industry is expected to see steady growth in the foreseeable future, sustained by the ongoing public building and construction works. The Hong Kong SAR Government is determined to resolve the shortage of affordable accommodation units. Public expenditure on housing is anticipated to further increase, and the project pipeline should provide construction opportunities for the Group.

However, the industry is facing major uncertainties in seeing a drop in the amount of capital works projects in the near-to-medium term as the filibustering in the Legislative Council recently has caused lengthened delays in funding approval for public works. Also, the shortage of skilled labour and escalating construction costs in Hong Kong remain a concern. Management has continued to provide training to enhance workers' skills and explore alternative ways to address the issue.

The Group's construction business remained competitive and reported a profit of HK\$108 million in 2015 (2014: HK\$112 million). Turnover for the year was HK\$5,606 million (2014: HK\$5,599 million). New contracts secured in Hong Kong and Macau totaled HK\$3.7 billion (2014: HK\$3.6 billion). As at 31 December 2015, the gross value of contracts on hand was HK\$18.4 billion and the value of outstanding contracts to be completed was HK\$9.5 billion, compared with HK\$16.6 billion and HK\$11.4 billion respectively as at 31 December 2014.



During the year, the Group secured the construction contract of Public Housing Development at So Uk Estate Phase 2 with a sum of HK\$2,399 million, together with two minor works contracts from West Kowloon Cultural District valued at HK\$12 million. Other contracts on hand include construction work at San Po Kong, Ex-Yuen Long Estate and So Uk Estate Phase 1, and several term contracts for maintenance works for the Hong Kong Housing Authority (HA).

The value of contracts on hand was impacted upon by the unfortunate excess lead-in-water incident. Shui On Building Contractors (SOBC) was the main contractor of Kwai Luen Estate Phase 2 affected by this incident. As a result of the regulatory actions taken by the HA, SOBC was not considered for tenders released by the HA from March to October during the year. SOBC has resumed submitting tenders to the HA since November 2015.

Despite the significant slowdown in the gaming industry in Macau, Pat Davie, the Group's interior fitting-out and building renovation arm, recorded encouraging results during the year, and won 27 interior and fitting-out contracts worth approximately HK\$1,302 million, a 23% increase from the previous year (2014: HK\$1,060 million).

OUTLOOK

Since the Group's implementation of the monetisation strategy in 2013, a significant portion of our property portfolio has been sold, resulting in improved financial position. Our remaining portfolio now comprises a larger portion of commercial properties. The Group is proactively seeking ways to enhance customer traffic in these retail properties.

SOCAM will continue to execute the monetisation plan for our remaining property assets, reduce debts and streamline the organisation so as to pave way to reposition and rebuild the operations and business of the Company.

Our history of consistent performance and capability to tender for a broad spectrum of construction projects will undoubtedly place us at the forefront to capture the market opportunities arising from the public housing programme and other construction segments such as fitting-out and renovation works.



Summary of Financial Results for the Year Ended 31 December 2015

	Year ended 31 December 2015	Year ended 31 December 2014
	HK\$ million	HK\$ million
Property		
Profit (loss) from property sales and net rental expenses	22	(38)
Fair value changes on investment properties, net of deferred tax provision	(34)	(39)
Share of results of joint ventures and associates	(494)	(428)
Impairment loss on a property under development for sale	(238)	–
Net loss on disposal of a subsidiary and joint ventures	–	(27)
Operating expenses, net of project fee income	(220)	(198)
	(964)	(730)
Construction		
Operating profit		
Hong Kong and Macau	108	95
Mainland	–	17
Net gain on disposal of Mainland operations	–	9
	108	121
Cement – LSOC		
Share of losses, net of other income	(272)	(317)
Net gain on disposal	416	–
	144	(317)
Venture capital investments		
Net finance costs	(206)	(258)
Corporate overheads and others		
Taxation	(92)	(67)
Non-controlling interests	(79)	(80)
	(17)	(15)
Total	(1,126)	(1,374)

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