



FOR IMMEDIATE RELEASE

## SOCAM Development Announces 2016 Interim Results

(Hong Kong, 26 August 2016) SOCAM Development Limited (“SOCAM” or the “Group”, stock code: 983) today announced its results for the six months ended 30 June 2016. Total turnover was HK\$3,357 million (2015 re-presented: HK\$3,084 million). The loss attributable to shareholders amounted to HK\$711 million (2015: HK\$629 million), and loss per share was HK\$1.47 (2015: HK\$1.30). The Board has resolved not to declare an interim dividend (2015: Nil).

	<b>For the 6 months ended 30 June 2016</b>	For the 6 months ended 30 June 2015 (re-presented)
Turnover		
Company and subsidiaries	<b>HK\$2,463 million</b>	HK\$2,786 million
Share of joint ventures and associates	<b>HK\$894 million</b>	HK\$298 million
Total	<b>HK\$3,357 million</b>	HK\$3,084 million
Loss attributable to shareholders	<b>HK\$711 million</b>	HK\$629 million
Basic loss per share	<b>HK\$1.47</b>	HK\$1.30
	<b>At 30 June 2016</b>	At 31 December 2015
Total assets	<b>HK\$10.4 billion</b>	HK\$12.3 billion
Net assets	<b>HK\$4.7 billion</b>	HK\$5.5 billion
Net asset value per share	<b>HK\$9.8</b>	HK\$11.4
Net gearing	<b>28.6%</b>	21.0%

During the first six months of 2016, the Group continued with the monetisation of its property assets in the Chinese Mainland and completed the disposals of its remaining 20% interest in the Shenyang Project Phase II for approximately HK\$364 million, and the land parcels located in Zunyi, Guizhou for approximately HK\$463 million. A total of 1,846 residential units in Chengdu Centropolitan has been sold from the sales launch in 2014 up to the end of July 2016, yielding RMB1,460 million revenue. Also, RMB357 million revenue was generated from the sales of 104 villas at Nanjing Scenic Villa Phase I over the twelve months to July 2016.

The Group’s construction business in Hong Kong and Macau saw turnover decrease by 24% to



HK\$1.96 billion (2015: HK\$2.60 billion) in the first half of the year. A few recent projects have been hit by undue fluctuations in steel prices and rapid rises in labour costs due to a skilled labour shortage. Nevertheless, successful tenders on maintenance, minor works projects and renovation works particularly, have given us contract momentum.

Mr. Vincent H.S. Lo, Chairman of SOCAM said, “Despite the temporary suspension of tenders submission to the Hong Kong Housing Authority in 2015, our construction division has leveraged its core competitiveness and won new contracts totaling HK\$4.1 billion. Meanwhile, the Group continued with the monetisation of its property assets in the Chinese Mainland, and its immediate property business focus is to enhance the value of our retail portfolio to attract middle-income consumers and, in consequence, property investors. The Board and the management are ever mindful of the recurring losses. As the Group enters the latter phase of our monetisation strategy, the continuing deleveraging will put us in a stronger, more flexible position to consider the most appropriate business to rebuilding the Company.”

## **BUSINESS REVIEW**

### **Property Business**

Property sales reported a loss during the period, largely attributable to the significant increase in the share of losses of the Group’s jointly developed projects, namely Chengdu Centropolitan and Dalian Tiandi, which sustained impairment losses on their property assets amidst the substantial downward pressure on property prices in tier 2 and 3 cities, together with the revaluation loss on the investment properties in the 45%-owned Tianjin Veneto project. The Group’s share of these valuation losses aggregated HK\$310 million (2015: HK\$42 million).

Since the Group’s implementation of the monetisation strategy in 2013, a significant proportion of our property portfolio has been sold, and the remaining properties now comprise a larger proportion of commercial properties. As of 30 June 2016, SOCAM owned seven projects, with a total developable GFA attributable to the Group of approximately 494,500 square metres.

During the period, SOCAM had two residential properties in the Chinese Mainland for sale. The sales launches of the residential units at Chengdu Centropolitan have met with favourable response, 1,846 units have been sold at an average selling price of RMB8,200 per square metre by end of July 2016. Disposal of all the remaining 141 residential units is targeted in the second half of 2016.



104 villas out of 114 in Phase I at Nanjing Scenic Villa have been sold. The second phase was launched for sale in late July this year. 39 units, out of 54, with total revenue of approximately RMB190 million have been subscribed for over the last weekend of July.

SOCAM continued to divest its remaining property assets, while looking to upgrade its current retail properties to increase rental yield and create higher value. The double digit retail growth and strong consumption power in the Chinese Mainland over the years have, however, led to a very rapid rise in shopping mall construction, consequently leading to less stable market conditions and oversupply in tier 2 and 3 cities.

The Group is remodeling its malls in Chengdu, Chongqing, Shenyang and Tianjin, as demand for a quality retail experience is rising. During the period, the shopping malls at Shenyang Tiandi with about 62,000 square metres GFA, and Chongqing Creative Concepts Center with 31,500 square metres GFA, have a 60% and 64% retail occupancy respectively as of June 2016. Tianjin Veneto, which comprises a mall specialising as an outlet shopping centre, is scheduled for completion in 2017. The first phase of 65,500-square metre retail spaces that commenced operation in stages since January 2015, was 68% leased as at July 2016. A number of renowned global retail brands will be joining in the coming months to enhance customer attractions.

At Chengdu Centropolitan, opening of the mall is targeted in the middle of 2017. Sales of the SOHO and office blocks as well as car parking spaces will be launched later this year.

In Dalian Tiandi, approximately 1.7 million squares metres GFA was completed or under construction. The overall occupancy of office spaces stood at 89% while that of IT Tiandi was 53%.

### **Construction Business**

In the first half of the year, SOCAM's construction business in Hong Kong and Macau reported a lower turnover and profit, mainly due to the completion of several major construction contracts, while newly secured contracts will only contribute turnover and profit at a later stage in line with the progress of the construction works.

As of 30 June 2016, the gross value of contracts on-hand was approximately HK\$17.2 billion, and the value of outstanding contracts to be completed was approximately HK\$10.1 billion (HK\$18.4 billion and HK\$9.5 billion respectively as at 31 December 2015).



Shui On Building Contractors resumed tenders submission to the Housing Authority in November 2015 and was swift in seizing market opportunities. Since the beginning of this year, the Group secured the construction contract of a Public Rental Housing Development at Shek Kip Mei Estate Phases 3, 6 and 7 valued at HK\$1.6 billion, a Home Ownership Scheme at Kai Tak with a contract sum of HK\$755 million and two term contracts for various projects for the Education Bureau of the HKSAR Government at HK\$1.1 billion.

Other contracts on hand include construction work of public housing at San Po Kong, So Uk Estate Phases 1 and 2, construction of the Hong Kong Children's Hospital via a joint venture with the China State Construction Engineering (Hong Kong), and several maintenance term contracts for the Housing Authority, the Architectural Services Department, MTRC and CLP.

The market for the redesign of interior commercial space in Hong Kong remained strong. Pat Davie, our interior design and fit-out arm, maintained satisfactory progress in winning new contracts and reported good results. Since the beginning of this year, it won 14 interior and fitting-out contracts worth approximately HK\$740 million.

## **OUTLOOK**

As the Group enters the latter phase of our monetisation strategy, both the market and a softening economy still present challenges. Annualised GDP growth forecasts for China show modest weakening, but the slowing sales growth and increasing competition among developers, particularly in second-tier cities, are likely to impact on our en-bloc divestment plans. The Group will be ever mindful of the recurring losses and look to streamline manpower and overheads.

The Company's construction divisions continue to improve on operating efficiency and enhance core competitiveness. Opportunities in construction in Hong Kong are promising and SOCAM will focus on business development in public housing as well as the commercial, corporate office, hospitality and retail sectors. We expect a degree of stabilisation in steel prices and labour costs and, with greater predictability, the tender teams' long experience will come to the fore.

**Summary of Financial Results for the Six Months Ended 30 June 2016**

	<b>Six months ended 30 June 2016 HK\$ million</b>	Six months ended 30 June 2015 HK\$ million
<b>Property</b>		
Net loss on property sales and net rental expenses	(60)	(7)
Fair value changes on investment properties, net of deferred tax provision	(17)	(4)
Share of results of joint ventures and associates	(445)	(164)
Operating expenses, net of project fee income	(72)	(46)
	<b>(594)</b>	<b>(221)</b>
<b>Construction</b>		
	<b>44</b>	<b>60</b>
<b>Cement – LSOC (discontinued operations)</b>		
	–	(272)
<b>Venture capital investments</b>		
	(19)	(12)
<b>Net finance costs</b>		
	(66)	(127)
<b>Corporate overheads</b>		
	(35)	(37)
<b>Taxation and others</b>		
	(29)	(15)
<b>Non-controlling interests</b>		
	(12)	(5)
<b>Total</b>	<b>(711)</b>	<b>(629)</b>

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**For media enquiries, please contact:**

Vanessa Wo / Violet Wong

Corporate Communications

Tel: (852) 2398 4901

Email: [socamcc@shuion.com.hk](mailto:socamcc@shuion.com.hk)