瑞安建業有限公司*

SOCAM Development Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

Announcement of results for the year ended 31 December 2016

FINANCIAL HIGHLIGHTS

		Year ended 31 December	
		2016	2015
Turnover			
Company and subsidiaries	*HK$ million*	**5,345**	5,916
Share of joint ventures and associates	*HK$ million*	**1,572**	363
Total	*HK$ million*	**6,917**	6,279
Loss attributable to shareholders	*HK$ million*	**(1,382)**	(1,126)
Basic loss per share	*HK$*	**(2.86)**	(2.33)

		At 31 December	
		2016	2015
Total assets	*HK$ billion*	**9.2**	12.3
Net assets	*HK$ billion*	**3.8**	5.5
Net asset value per share	*HK$*	**7.9**	11.4
Net gearing	*%*	**33.5**	21.0

CHAIRMAN'S STATEMENT

Dear Shareholders,

While your Company made further progress towards the latter phase of our monetisation plan, we regret that 2016 was, again, a disappointing year in terms of our operating performance.

The past year was characterised by spikes of uncertainty which had a considerable impact on business and market confidence. Ramifications of the "black swan" events in Europe and the United States will probably include restrictions on free movements of labour, capital, goods and services across the world. As advanced economies continued to experience meagre economic growth, a shadow has been cast over international trade, given the uncertainty surrounding the protectionist policy stance under Trump's administration in the United States, and the upcoming tough post-Brexit trade negotiations between the United Kingdom and European Union. Other worldwide events, including heightened geographical tensions, terrorism and populism, have also taken a toll on global market sentiment.

China achieved 6.7% GDP growth in line with Central Government expectation and saw progress in managing its economic restructuring. In the property market, it was a year of exceptional growth in residential sales as developers, including SOCAM, sought to rapidly deplete their residential stocks. Housing over-supply in tier 2 and 3 cities put considerable pressure on our achievable prices and revenue. At the same time, our financial performance was also hit by the weaker Renminbi in the past two years as our Mainland assets suffered decrease in value upon currency conversion.

Against this backdrop, our financial results continued to be unsatisfactory. SOCAM's attributable loss for 2016 was HK$1,382 million (2015: HK$1,126 million). Turnover was HK$5.3 billion (2015: HK$5.9 billion) and loss per share was HK$2.86 (2015: HK$2.33).

The results for the year reflect the extreme difficulties facing SOCAM. Yet, notable inroads were made on reducing our debt burden and streamlining our operations. We see a healthier balance sheet as vital to realigning SOCAM's core business interests and the rebuilding of the Company.

THE LATTER PHASE OF MONETISATION

Your Company made satisfactory progress over the year in implementing our monetisation and deleveraging strategy which became the overriding corporate imperative four years ago. The total gross floor area in our China property portfolio has been reduced from 2.1 million square metres at the end of 2013 to around 0.4 million square metres today, while our cement interest was divested in 2015. Consequently, our total bank borrowings have decreased from HK$8.2 billion to the current HK$2.4 billion over the 3-year period. Total bank borrowings are expected to be further reduced in 2017.

The Group completed three property disposals in the Chinese Mainland during the year. As planned, we sold our remaining 20% interest in Shenyang Project Phase II and the land parcels located in Zunyi, Guizhou, and we disposed 35% of our 60% interest in the Nanjing Cement joint venture, generating a total sales revenue of approximately HK$1.0 billion.

At the same time we are moving close to completion of the disposal of our inventory of residential units across our portfolio. At Chengdu Centropolitan, nearly all 1,987 residential units have now been sold, and an agreement for the block sale of all 504 Soho units was signed in December. Phase I of the low-rise Nanjing Scenic Villa is now about 95% sold, and Phase II is meeting good market response since its launch in July 2016, with about 87% of the first batch of 79 villas in Phase II having been subscribed for. Together with the sales of the inventory of residential, office and carparking units in our other projects, contracted sales of property units amounted to a total of approximately RMB1.2 billion in 2016.

Regrettably due to intense price competition, some of our projects located in highly competitive tier 2 and 3 cities achieved lower valuations and prices than our book costs. Taking into account net operating loss of our retail malls, sales and marketing expenses, overheads, taxes and the weakened Renminbi, the property division recorded a loss of HK$1,207 million (2015: HK$1,019 million loss).

REFINING OUR BUSINESS MODEL

Concurrent with advancing the monetisation plan, SOCAM unveiled revamping plans for our four shopping malls in Chengdu, Chongqing, Shenyang and Tianjin. Oversupply of retail space remains a major concern, while the robust growth of online shopping lowers the demand for leasing retail premises. The retail property market continued to see over-expansion, putting pressure on tenant occupancy rates and rentals. In addition, increasingly more sophisticated middle-class consumers now expect a wider experiential mall environment. Facing these challenges, we are enhancing our mall design and tenant mix to give a stronger accent on entertainment and new lifestyle and shopping components. Tianjin Veneto has reshuffled its tenant base and attracted a number of global retail brands; as a result customer flow is greatly improved. In Chongqing and Shenyang we are progressing with upgrading the Creative Concepts Center mall and Shenyang Tiandi to increase rental yield and counter retail market oversupply. The redesigning of the shopping mall of Chengdu Centropolitan has been completed, leasing has commenced and the mall is slated for soft opening in July this year. Our goal across our entire retail portfolio is to capture market opportunities for en-bloc disposal when space supply and leasing demand are more in balance in the years ahead.

Your Company's construction division is well set to capture opportunities in public housing, community health and leisure facilities, and in related construction activities such as fit-out, renovation and maintenance contracts. The HKSAR government has projected that 200,000 public rental housing units and 80,000 subsidised sale flats need to be built in 10 years, and has earmarked HK$200 billion for various hospital and community health centres, where SOCAM has experience and expertise. However, administrative challenges for the government may drag out these far-sighted improvements to the social fabric. Identifying suitable land plots and gaining funding approval through Legco are proving difficult. At the contractor's level, the tendering environment is competitive rendering it hard to gauge the cost of building materials and labour. Achieving contract award success and fair margins for project profitability needs careful balancing.

In line with the HKSAR government's policy to promote green buildings, SOCAM places the utmost importance on environmental efficiencies. We value our consistent achievement in gaining BEAM Plus certification for public housing projects. The Children's Hospital, a first-of-its-kind project in Hong Kong and a joint venture between SOCAM and China State Construction, highlights our green credentials and won the Merit Award for the New Building Category of the Green Building Awards 2016. The venture also highlighted our capability to join forces with appropriate partners to achieve desired results; collaboration itself opens up growth prospects in the years ahead.

In Macau, economic growth prospects have improved. The enhancement of facilities of the gaming and hospitality industry continues to provide a reasonable number of contracts for our fit-out arm Pat Davie. In Hong Kong, Pat Davie completed and gained numerous valuable contracts and made a relatively good profit contribution.

The operating profit of our construction division was barely satisfactory at HK$75 million (2015: HK$108 million). This can be principally attributed to volatility in building materials prices – particularly steel – and in steep rises in labour costs. Highly competitive bidding also reduced profit margins. Nevertheless, your Company sees good prospects in ancillary areas of construction and is poised to gain a stronger foothold in selected markets such as revitalising industrial buildings, up-grading wet markets as well as seeking to win more maintenance contracts.

FOCUSING ON RECOVERY

During late 2015 and early 2016, your Company conducted a critical review of our business, operating, and financial position, and developed action plans for immediate implementation. We have taken steps to streamline our operations as we continue deleveraging, and to seek new pathways to revitalising and rebuilding the Company and its future direction.

Perseverance, integrity, and quality have long been cornerstones of SOCAM's culture. These are values we take forward as we do business. The Board and I are confident that the Group can be more proactive in advancing our realigned business model, with a significantly reduced debt load and a leaner corporate structure.

The global economic environment in 2017 is expected to face unprecedented uncertainty. The overall business outlook therefore remains challenging. We are aware of the challenges that lie ahead of us; not least in advancing the later stages of en-bloc disposal of our remaining property assets consisting primarily of retail malls, and we are addressing it as a matter of priority. While taking steps to ensure our short-term competitiveness, our confidence in long-term prosperity in the Chinese Mainland and Hong Kong remains firm.

On behalf of the Board, allow me to close my statement by once again recognising the dedicated commitment and effort by our senior management and staff to implement all the changes required to rebuild SOCAM. I would also like to express my gratitude to Mr. Raymond Wong as he retired from his position of Managing Director and Chief Financial Officer, after 27 years of service to the Company and Shui On Group. Mr. Frankie Wong has taken up the position of Chief Executive Officer and Chief Financial Officer from January, and I have every confidence in his successful tenure.

In particular I would like to express my sincere thanks to our shareholders for your forbearance over the recent years of consolidation and realignment SOCAM has been through. We will continue to be vigilant on possible market changes, and remain unwavering in our commitment to our shareholders.

Lo Hong Sui, Vincent
Chairman

Hong Kong, 24 March 2017

BUSINESS REVIEW

After quantitative easing has been launched to weather financial crisis and stimulate economic growth for a number of years, many advanced economies retreated to pursuing tighter monetary supply. Global economic growth remained subdued in 2016 as political events such as Brexit in Britain and a new administration in the United States added unprecedented uncertainty to the global market. Economic growth in the Asia Pacific region remained strong at 5.3% in 2016 and is expected to sustain that figure this year, accounting for almost two-thirds of overall global growth. Against this, the maintenance of long-established multi-lateral trade relationships has become a concern.

In the Chinese Mainland, a GDP growth target of 6.7% was met in 2016, while economic restructuring away from manufacturing and investment towards services and consumption progressed steadily. The property market experienced a strong year in 2016, but with Central Government tightening mortgage lending and placing restrictions on purchases, property investment and sales activities slowed down dramatically towards the end of the year. Hong Kong's economy gradually improved after a weak start, and saw slight pickup of GDP growth at 1.9% for the whole year. The persistent strong US dollar is likely to hinder export growth in the year ahead, and depress tourist arrivals from the Chinese Mainland and Asia generally. Yet, Hong Kong has long been known for its economic resilience and adaptability, and the national 13th Five-Year Plan and "One Belt One Road" initiative are expected to unleash new growth opportunities.

Hong Kong's property sector remained buoyant throughout the year. Looking forward, and to public housing where SOCAM's construction interests lie, the sector is expected to benefit from the HKSAR government's stipulated targets for housing expansion. SOCAM is well placed to participate in increased tendering opportunities and play its part in delivering quality housing for the community.

MONETISATION PROGRESS

The Group is now in the latter stages of monetising property assets in the Chinese Mainland. In 2016, we made further progress and completed three property project disposals, yielding an aggregate consideration of approximately HK$1.0 billion. These disposals include:

- The sale of our remaining 20% interest in Shenyang Project Phase II for approximately HK$364 million;
- A land parcel in Zunyi, Guizhou for a total consideration of approximately HK$462 million; and
- Our 35% out of 60% interest in a Nanjing Cement Plant joint venture for approximately HK$165 million.

The Group continued to navigate its way through the challenges of generating sales in a highly competitive market, and disposed of a significant part of the remaining residential units across our portfolio, generating a total of about RMB900 million in revenue. Currently Chengdu Centropolitan and Nanjing Scenic Villa are the only two projects where SOCAM continues residential marketing and sales activity. In Chengdu Centropolitan, 1,985 residential units out of 1,987 have been sold. In Nanjing Scenic Villa Phase I, 108 units out of 114 units were subscribed for or sold. Phase II received encouraging market response since its launch in July; 69 units of the first batch of 79 units launched for pre-sale have been contracted or subscribed for.

As a result of these sales, total development GFA attributable to the Group decreased from 635,200 square metres as at 31 January 2016 to 421,300 square metres at the end of last year. We will continue to implement the monetisation plan into the year ahead with the aim of further reducing our bank borrowings. For commercial properties, when supply and demand eventually rationalise, the Company will seek suitable opportunities for en-bloc disposals.

PROPERTY

Market review

As SOCAM's disposal of residential units continued, along with our implementation of various cost-cutting measures, we turned our attention to upgrading and repositioning our four shopping malls in Chengdu, Chongqing, Shenyang and Tianjin. Retail spending in China grew 10.4% last year, to RMB33.2 trillion. Double digit annual growth is expected to continue as urban populations increase and acquire more spending power and sophisticated consumption habits. SOCAM is enhancing its mall positioning and upgrading facilities to make the tenant mix more precisely calibrated to its surrounding community. Stand-out themes are now essential for increasing footfall and consumer loyalty.

In tier 2 and 3 cities where SOCAM's malls are situated, retail property growth has been particularly rapid in recent years. By the end of 2017, shopping mall GFA is again expected to rise across China. While this over-expansion continues, the market has recently seen correction in the light of delay in some mall openings and high vacancy rates. Facing current market challenges, SOCAM is taking proactive steps to upgrade our malls and create attractive experiential shopping environments. Revamping works have begun and new marketing and leasing plans are in place to boost rental revenues. Our mall in Tianjin made progress during the year in advancing its tenant mix upgrade; customer flow has greatly improved as a result. Nationwide, in-store sales are facing significant challenges from e-commerce platforms which are expected to continue an upward trend as distribution logistics and transport links improve across China in the years to come.

China's residential property market remained uneven in the past year, with property booms in tier 1 cities, and price declines in lower tier cities. Considerable inventories and competing new developments came to the market simultaneously, putting pressure on pricing strategy. As the Central Government implemented tightening measures in many major cities towards the end of the year to stablise overheated markets, new home purchases are expected to grow at a slower pace.

Operating performance

Our property sales activity met expectations in 2016. This was largely due to a combination of highly competitive pricing and an offering of quality mid-range homes. However, most apartments achieved less than book costs, principally in Chengdu Centropolitan, harming our sales revenue and profitability.

Special situation projects

As of 31 December 2016, SOCAM owned six projects, with a total developable GFA attributable to the Group of approximately 421,300 square metres. These projects encompass good locations in six Mainland cities as summarised below:

Project	Total developable GFA attributable to the Group (*square metres*)	Estimated completion year	SOCAM's interest
Chengdu Centropolitan	184,200*	2017	81%
Chongqing Creative Concepts Center	31,500*	Completed	100%
Guangzhou Parc Oasis	5,300*	Completed	100%
Nanjing Scenic Villa	67,200	2018	50%
Shenyang Project Phase I	88,300*	Completed	100%
Tianjin Veneto	44,800	2018	45%
Total:	421,300**		

* *The GFA shown above has excluded sold and delivered areas*

** *Excluding that of the knowledge community project in Dalian*

Project Development and Marketing Progress

Nanjing Scenic Villa

Nanjing recorded historic highs for new home transactions in 2016, leading to intervention by the local government to curb property prices. While purchasing interest is generally expected to slow in 2017, Nanjing Scenic Villa has its own niche in the market for discerning home buyers. With a GFA of 134,000 square metres on completion, the development offers distinctive low-rise apartments with balconies in a garden and lakeside setting.

Around 95% of the villas in Phase I of Nanjing Scenic Villa has been sold at reasonable prices. Phase II sales began in July last year, meeting good market response. At the year-end, 169 out of 187 of the units launched for sale had been pre-sold or subscribed for total revenue of approximately RMB700 million. A further sales launch for the second batch of villas in Phase II is scheduled for the middle of this year. Completion of the project is targeted for 2018.

Chengdu Centropolitan

Situated in the Central Business District of a major city in southwest China, Chengdu Centropolitan is a mixed-used development at which almost all units in the 11 residential towers have now been sold. 333 residential units were contracted for sale during the year. Prices were however adversely impacted by housing stock over-supply prevalent in the city.

Marketing activity on an office tower has begun. An agreement for the block sale of all 504 Soho units for RMB231 million was signed in December.

Chengdu's consumer retail sales increased by some 10% in 2016, with mall vacancy rates decreasing to around 6%, a comparatively low figure across the nationwide retail markets. With this favourable market condition, SOCAM aims to open the project's integrated 40,000 square metre GFA shopping mall in stages, starting from July this year. Leasing activity has begun and is attracting strong retailer interest. Our efforts now focus on further building retailer tenancy interest with a focus on lifestyle shopping for the expanding middle class.

The mall will mainly target families in the neighbourhood and provide them with well-rounded experiences by offering a fresh market 'village' and unique features to satisfy the daily needs of the local community and its surrounding area. The mall is also attracting tenants by offering home fittings and appliances, electronic and communication devices, and affordable mid-market fashions.

Chongqing Creative Concepts Center

Chongqing is one of the world's largest metropolises. City-wide retail sales grew 13% over the year, but prime mall vacancy rates increased to 6.5% at year end due to continual addition of mall space.

The Creative Concepts Center is situated adjacent to the Central Business District. This mixed-use development is realised and sold as far as the residential and office units are concerned, and SOCAM is now upgrading the shopping mall. With tenant occupancy at 64% at year-end 2016, finding a niche for this project is challenging as developers typically compete on rents and a good tenant mix. Improvement works will progressively be implemented according to our revamping plan to enhance customers' shopping experience.

Shenyang Project Phase I

In Shenyang, the retail property market is particularly soft. Retail stock is expected to increase as some 21% additional retail space is scheduled for completion in 2017. This threatens a vacancy rate increase as the city rapidly grows and modernises to act as a shopping and entertainment magnet for its surrounding cities in the Liaoning province. With nearly all the apartment units and business space sold in Shenyang Project Phase I, SOCAM is now upgrading the development's 62,000 square metre GFA Shenyang Tiandi mall and its attractions. Occupancy rate of the mall dropped to 55% as revamping works are now underway and we are reshuffling our tenant mix, with an aim to increase rental yield and consumer footfall in the latter half of 2017.

Tianjin Veneto

Tianjin is a prosperous outer suburb of the nation's capital with annual GDP growth of 9.0%. The retail market remains one of the strongest in tier 2 and 3 cities and grew 5.1% in 2016, while competition among malls remains intense. Popular international brands are increasing their store-front presence. Specialising as an outlet shopping centre, Veneto features Italian style pedestrian lanes with a total GFA of 98,100 square metres, and is planned for completion in 2018. At year-end 2016, 72% of the retail space had been leased and a cinema and tax-free shop were opened, and newer shops opened near the end of 2016 were popular international brands such as Uniqlo and H&M. Despite a slow start due to fierce competition, since the beginning of the revamp, customer flow increased by 50% in 2016.

Guangzhou Parc Oasis

This residential development is situated in the Northern Tianhe District of Guangzhou, with all residential and serviced apartment units sold. 38 car parking space were sold in 2016 at an average price of approximately RMB300,000 per unit. The sales of the remaining 400 car parking spaces are underway and strong marketing efforts continue.

Shanghai Lakeville Regency Tower 18

This luxury serviced apartment building located in the Xintiandi area met with a good response. Completion of sales of all 103 units was accomplished in 2016.

Knowledge Community - Dalian Tiandi

Dalian Tiandi is a long-term development project in which the Group has a 22% share. The project is an integrated mixed-use development with a visionary parkland concept comprising office, retail, residential and service apartments with a total developable GFA of 3.3 million square metres.

As at 31 December 2016, the leasable and saleable GFA completed and under construction stood at 317,000 square metres and 919,000 square metres respectively. At Huangnichuan (site C of Dalian Tiandi), a total of 104,000 square metres GFA is under construction scheduled for completion from 2017 to 2020. At Hekou Bay (site A of Dalian Tiandi), a total GFA of 126,000 square metres is under construction, and planned for progressive completion from 2017 to 2019. The launching of residential units including The Splendid Bay, The Upper in Hekou Bay, and Green View Heights in Huangnichuan in 2016 were well received by the market, and a total of 895 units out of 1,111 available units was sold at an average price of RMB8,800 per square metre.

A total GFA of 207,000 square metres has been developed into office space. Tenant interest has been satisfactory throughout its phased completion, with occupants including established technology companies such as IBM, and Chinasoft. Occupancy of completed office space stood at 90% at year-end 2016, and 53% for IT Tiandi.

CONSTRUCTION

Market Review

The scarcity of developable land for affordable housing, community facilities and leisure space in Hong Kong continues to be a major community concern. However, the HKSAR government is determined to resolve the shortage of affordable accommodation units as its top priority, and has recently reaffirmed its target to build 460,000 housing units in 10 years.

SOCAM seeks to take advantage of the tendering opportunities presented both in housing and in ancillary public amenity developments. We also intend to expand our order book in maintenance and minor works projects, and in areas such as revitalising industrial buildings and upgrading wet markets. Tendering requirement has put further emphasis on contractors' experience in the construction of eco-friendly buildings. SOCAM's construction division has stringent measures on environmental protection and considerable experience in attaining Building Environmental Assessment Method Plus (BEAM Plus) standards.

However, it remains vital to our sector profitability that we balance project award success with continuing high quality in delivery and a fair profit margin. Carefully calibrating costs, particularly in the price of building material and skilled labour, is a paramount consideration as SOCAM seeks to expand its order book.

There are tendering and subcontractor considerations that will receive the Group's particular attention in the immediate years ahead. We will give more detailed attention to fluctuating cost factors and more closely evaluate project difficulties particularly those with challenging civil engineering content. The shortage of skilled labour and escalating construction costs in Hong Kong remain a concern. To cope with the problem management has continued to provide training to enhance workers' skills and explore alternative ways to address the issue.

In Macau, the economy has seen the first period of growth since the second quarter of 2014. The market for redesigns of interior commercial space in Hong Kong similarly remained strong; a key market for Pat Davie, our interior design and fit out arm. Pat Davie is a consistent profit contributor to the Group and will seek to secure contractors in the private sector, with Macau being a supporting fit-out market to their diversified contract capture and delivery in Hong Kong.

Operating Performance

The Group's construction division reported a profit of HK$75 million in 2016 (2015: HK$108 million). Turnover for the year was HK$4.7 billion (2015: HK$5.6 billion). New contracts secured totaled HK$4.7 billion (2015: HK$3.7 billion). Profits for the year were impacted by spikes in the cost of building materials and skilled labour particularly affecting the construction of the So Uk Estate Phase I public housing project, which led to a considerable book loss in that project, a rare occurrence for the construction arm.

As at 31 December 2016, the gross value of contracts on hand was HK$18.6 billion and the value of outstanding contracts to be completed was HK$9.7 billion, compared to HK$18.4 billion and HK$9.5 billion respectively as at 31 December 2015. Building design and construction methods in Hong Kong have seen immense changes since Shui On first entered the construction and materials business. SOCAM has helped lead the way in introducing rigorous site safety standards and consideration for the surrounding community as building work progresses. In the past year, the Company received a total of 37 awards for site management, site safety and building quality. These included the Considerate Contractors Site Award (Gold), Hong Kong Construction Environmental Award (Merit) and Quality Building Award - Hong Kong Non-Residential (New Building) Category (Merit).

Shui On Building Contractors (SOBC)

In a competitive tendering environment, a number of new projects were secured totaling HK$3.87 billion, which included:

- The construction of a public rental housing development at Shek Kip Mei Estate Phases 3, 6 and 7 at HK$1,608 million;

- Two term contracts for the alterations, additions, maintenance and repair of aided schools, buildings and lands and other properties for the Education Bureau totaling HK$1,138 million;

- The construction of a home ownership scheme at Kai Tak Site 1G1(B) at HK$755 million;

- A three-year outline agreement for design and construction of minor building/civil engineering at CLP Power's premises at HK$302 million; and

- A term contract for architectural and building works for MTR Corporation's railways and premises at HK$70 million.

SOBC completed contracts for the construction of a public rental housing development at Long Ching Estate valued at HK$440 million, design and construction of minor building/civil engineering works at CLP Power's premises valued at HK$240 million, a four-year term contract for architectural and building works for MTR Corporation's railways and premises valued at HK$140 million, and a term contract for the maintenance, improvement and vacant flat refurbishment for properties managed by the District Management Office of the Housing Authority valued at HK$213 million.

Pacific Extend Limited, the Group's building maintenance arm, had a full order book and profitable year as it worked on several term contracts. Among these were works for the Housing Authority, the Architectural Services Department, the MTR Corporation and CLP Power.

Shui On Construction (SOC)

Along with SOBC, SOC holds HKSAR government 'Group C' license for building works of unlimited value and is a Registered General Building Contractor of the Buildings Department.

Over the year, SOC completed two contracts for the construction of a Sports Centre, Community Hall, and District Library in Shatin valued at HK$799 million and the Design and Construction of the West Kowloon Law Courts Building for the Architectural Services Department valued at HK$2.2 billion. In addition the construction of the Hong Kong Children's Hospital, in a joint venture with the China State Construction, has progressed steadily.

Pat Davie (PDL)

PDL, the Group's interior fit-out and building renovation arm, maintained a healthy order book. In 2016, PDL won 21 interior and fit-out contracts worth approximately HK$858 million (2015: HK$1,302 million). Four more contracts have further been awarded after the financial year in Hong Kong and Macau, worth an aggregate total of HK$478 million.

Contracts secured in 2016 include two asset enhancement projects for Link valued at HK$166 million, a HK$150 million station improvement works for MTR Corporation, a HK$104 million renovation works of Pacific Place Phases I and II, a HK$85 million fit-out works for hotel development in Kwun Tong, and also projects for Bank of China, Murray Building hotel development and Cathay Pacific business class lounge at Hong Kong airport. PDL also secured more contracts with Wynn in 2016 that are due for completion in 2017.

PDL completed 29 projects during the year with an aggregate contract value of HK$1,038 million (2015: HK$940 million). These included sizeable projects both in Hong Kong and Macau, the highest grossing of which were the fit-out works of Cityplaza Three offices valued at HK$209 million and multiple projects for Wynn at an aggregate sum of HK$201 million.

Other notable completions included a HK$128 million project for Galaxy in Macau, a HK$117 million fit-out project of IT and broadcasting office for Hong Kong Jockey Club, a HK$79 million project for Bank of China and a HK$51 million project for MTR Corporation. As the Hong Kong/Macau market remains competitive, PDL will further consolidate its competitiveness in cost control, project quality and customer service.

RESULTS

The Board of Directors (the "Board") of SOCAM Development Limited (the "Company" or "SOCAM") presents the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2016** **HK$ million**	2015 HK$ million
Continuing operations			
Turnover			
The Company and its subsidiaries		**5,345**	5,916
Share of joint ventures/associates		**1,572**	363
		6,917	6,279
Group turnover	2	**5,345**	5,916
Other income and gains		**103**	116
Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold		**(466)**	(141)
Raw materials and consumables used		**(432)**	(472)
Staff costs		**(679)**	(697)
Depreciation		**(11)**	(14)
Subcontracting, external labour costs and other expenses		**(4,000)**	(4,819)
Fair value changes on investment properties		**(43)**	(45)
Dividend income from available-for-sale investments		**1**	2
Finance costs		**(195)**	(286)
Impairment loss recognised on properties under development for sale		**–**	(238)
Share of results of joint ventures		**(834)**	(345)
Share of results of associates		**(151)**	(162)
Loss before taxation		**(1,362)**	(1,185)
Taxation	3	**6**	(68)
Loss for the year from continuing operations		**(1,356)**	(1,253)
Discontinued operations			
Profit for the year from discontinued operations	4	**–**	144
Loss for the year		**(1,356)**	(1,109)
Attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(1,382)**	(1,270)
Profit for the year from discontinued operations		**–**	144
		(1,382)	(1,126)
Non-controlling interests			
Profit for the year from continuing operations		**26**	17
		(1,356)	(1,109)
Loss per share	6		
From continuing and discontinued operations			
Basic		**HK$(2.86)**	HK$(2.33)
Diluted		**HK$(2.86)**	HK$(2.33)
From continuing operations			
Basic		**HK$(2.86)**	HK$(2.63)
Diluted		**HK$(2.86)**	HK$(2.63)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2016	2015
	HK$ million	HK$ million
Loss for the year	**(1,356)**	(1,109)
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
Fair value changes of available-for-sale investments	**(14)**	9
Exchange differences arising on translation of financial statements of foreign operations	**(407)**	(398)
Share of exchange differences of joint ventures	**91**	37
Share of exchange differences of associates	**(3)**	(13)
Share of other comprehensive expense of a joint venture	**(13)**	–
Reclassification adjustments for amounts transferred to profit or loss:		
– upon disposal of interest in a joint venture	**–**	(767)
– upon deregistration of a joint venture	**–**	(13)
– upon disposal of property inventories, net of deferred tax of nil (2015: Nil)	**(3)**	(1)
– upon recognition of impairment loss on available-for-sale investments	**5**	–
Item that will not be reclassified to profit or loss:		
Recognition of actuarial gain (loss)	**18**	(19)
Other comprehensive expense for the year	**(326)**	(1,165)
Total comprehensive expenses for the year	**(1,682)**	(2,274)
Total comprehensive (expenses) income attributable to:		
Owners of the Company	**(1,708)**	(2,291)
Non-controlling interests	**26**	17
	(1,682)	(2,274)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2016 HK$ million**	31 December 2015 HK$ million
Non-current Assets			
Investment properties		**1,752**	1,909
Property, plant and equipment		**23**	29
Interests in joint ventures		**118**	122
Available-for-sale investments		**50**	64
Interests in associates		**–**	146
Club memberships		**1**	1
Trade debtors		**–**	12
Amounts due from joint ventures		**1,399**	1,986
Amounts due from associates		**1,294**	1,296
		4,637	5,565
Current Assets			
Properties held for sale		**213**	354
Properties under development for sale		**65**	554
Debtors, deposits and prepayments	7	**1,877**	1,658
Amounts due from customers for contract work		**374**	342
Amounts due from joint ventures		**689**	617
Amounts due from associates		**272**	292
Amounts due from related companies		**1**	2
Taxation recoverable		**4**	27
Restricted bank deposits		**482**	732
Bank balances, deposits and cash		**587**	1,440
		4,564	6,018
Assets classified as held for disposal		**9**	756
		4,573	6,774
Current Liabilities			
Creditors and accrued charges	8	**1,992**	1,772
Sales deposits received		**13**	255
Amounts due to customers for contract work		**223**	350
Amounts due to joint ventures		**106**	108
Amounts due to associates		**1**	2
Amounts due to related companies		**374**	337
Amounts due to non-controlling shareholders of subsidiaries		**14**	6
Taxation payable		**35**	217
Bank and other borrowings due within one year		**1,685**	2,914
		4,443	5,961
Net Current Assets		**130**	813
Total Assets Less Current Liabilities		**4,767**	6,378
Capital and Reserves			
Share capital		**484**	484
Reserves		**3,351**	5,058
Equity attributable to owners of the Company		**3,835**	5,542
Non-controlling interests		**37**	38
		3,872	5,580
Non-current Liabilities			
Bank and other borrowings		**669**	421
Defined benefit liabilities		**112**	152
Deferred tax liabilities		**114**	225
		895	798
		4,767	6,378

Notes:

1. Basis of preparation

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are mandatorily effective for the Group's financial period beginning on 1 January 2016.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants

The application of these amendments to HKFRSs has had no material effect on the amounts reported and disclosures set out in the consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the related Amendment[2]
HKFRS 16	Leases[3]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 introduces new requirements for classification and measurement of financial assets, financial liabilities, general hedging accounting and impairment requirements for financial assets.

With regards to classification and measurement, HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to change in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

1. Basis of preparation (continued)

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 15 was issued in 2014 which establishes a single model to deal with revenue arising from contracts with customers. When HKFRS 15 becomes effective, HKFRS 15 will supersede HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when the entity satisfies a performance obligation

With regard to step 5, an entity should recognise revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Specifically, HKFRS 15 requires entities to recognise revenue over time when certain conditions are met. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarification to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors of the Company will assess the impact on the application of HKFRS 9 and HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 and HKFRS 15 until the Group performs a detailed review.

The Directors of the Company are also in the process of assessing the potential impact of the other new and amendments to HKFRSs, and at this stage have not yet determined the effect of the application of these standards on the results and financial position of the Group.

2. Segment information

For management reporting purposes, the Group is currently organised into three operating divisions based on business nature. These divisions are the basis on which the Group reports information to its chief operating decision makers, who are the Executive Directors of the Company, for the purposes of resource allocation and assessment of segment performance..

The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

1. Property – property development for sale and investment and provision of property asset management services

2. Construction and building maintenance – construction, interior fit-out, renovation and maintenance of building premises

3. Other businesses – venture capital investment and others

2. Segment information (continued)

An analysis of the Group's reportable segment revenue and segment results from continuing operations by reportable and operating segment is as follows:

For the year ended 31 December 2016

	Property	Construction and building maintenance	Other businesses	Total
	HK$ million	HK$ million	HK$ million	HK$ million
REVENUE				
Sales of goods	**604**	**–**	**–**	**604**
Rental income	**12**	**–**	**–**	**12**
Revenue from rendering of services	**18**	**–**	**–**	**18**
Construction contract revenue	**–**	**4,711**	**–**	**4,711**
Group's revenue from external customers	**634**	**4,711**	**–**	**5,345**
Share of joint ventures/associates' revenue	**1,535**	**1**	**36**	**1,572**
Total segment revenue	**2,169**	**4,712**	**36**	**6,917**
Reportable segment results	**(1,176)**	**80**	**(45)**	**(1,141)**
Unallocated items:				
Other income				**2**
Finance costs				**(195)**
Other corporate expenses				**(28)**
Consolidated loss before taxation				**(1,362)**
Segment results have been arrived at after crediting (charging):				
Cost of properties sold	**(606)**	**–**	**–**	**(606)**
Depreciation	**(4)**	**(5)**	**(1)**	**(10)**
Interest income	**53**	**5**	**–**	**58**
Fair value changes on investment properties	**(43)**	**–**	**–**	**(43)**
Dividend income from available-for-sale investments	**1**	**–**	**–**	**1**
Reversal of impairment loss recognised in respect of interest in a joint venture	**–**	**–**	**29**	**29**
Loss on disposal of investment properties classified held for disposal	**(22)**	**–**	**–**	**(22)**
Share of results of joint ventures				
Property development	**(816)**	**–**	**–**	**(816)**
Other operations in Guizhou	**–**	**–**	**7**	**7**
Venture capital investments	**–**	**–**	**(25)**	**(25)**
				(834)
Share of results of associates				
Property development	**(151)**	**–**	**–**	**(151)**

2. Segment information (continued)

For the year ended 31 December 2015

	Property HK$ million	Construction and building maintenance HK$ million	Other businesses HK$ million	Total HK$ million
REVENUE				
Sales of goods	244	–	4	248
Rental income	29	–	–	29
Revenue from rendering of services	33	2	–	35
Construction contract revenue	–	5,604	–	5,604
Group's revenue from external customers	306	5,606	4	5,916
Share of joint ventures/associates' revenue	308	4	51	363
Total segment revenue	614	5,610	55	6,279
Reportable segment results	(901)	112	(46)	(835)
Unallocated items:				
Other income				3
Finance costs				(286)
Other corporate expenses				(67)
Consolidated loss before taxation				(1,185)
Segment results have been arrived at after crediting (charging):				
Cost of properties sold	(134)	–	–	(134)
Depreciation	(7)	(5)	(1)	(13)
Interest income	72	4	1	77
Fair value changes on investment properties	(45)	–	–	(45)
Dividend income from available-for-sale investments	2	–	–	2
Impairment loss recognised on properties under development for sale	(238)	–	–	(238)
Loss on disposal of investment properties classified held for disposal	(66)	–	–	(66)
Share of results of joint ventures				
Property development	(332)	–	–	(332)
Other operations in Guizhou	–	–	7	7
Venture capital investments	–	–	(20)	(20)
				(345)
Share of results of associates				
Property development	(162)	–	–	(162)

3. Taxation

	2016 **HK$ million**	2015 HK$ million
Continuing operations		
The tax charge (credit) comprises:		
Current taxation		
Hong Kong Profits Tax	**22**	25
PRC Enterprise Income Tax	**21**	76
PRC Land Appreciation Tax	**53**	147
	96	248
Deferred taxation	**(102)**	(180)
	(6)	68

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

PRC Enterprise Income Tax is calculated at 25% (2015: 25%) on the estimated assessable profits for the year.

PRC Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including amortisation of land use rights, borrowing costs, business taxes and all property development expenditure. The tax is incurred upon transfer of property ownership.

4. Discontinued operations

Following completion of the disposal of the Group's 45% interest in Lafarge Shui On Cement Limited ("LSOC") in August 2015, the Group did not have material investments that engaged in cement operations. Accordingly, the Group's cement operations through LSOC were classified as discontinued operations for the year ended 31 December 2015.

Profit for the year ended 31 December 2015 from discontinued operations attributable to owners of the Company is HK$144 million, which include other income of HK$4 million, share of loss of joint ventures of HK$276 million and gain on disposal of LSOC of HK$416 million.

5. Dividends

The Board does not recommend the payment of a final dividend (2015: Nil) for the year ended 31 December 2016.

6. Loss per share

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2016	2015
	HK$ million	HK$ million
Loss for the year attributable to owners of the Company:		
Loss for the purpose of basic and diluted loss per share	**(1,382)**	(1,126)
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purpose of basic loss per share	**484**	484
Effect of dilutive potential ordinary shares:		
Share options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**484**	484

The computation of the diluted loss per share for the current and prior years does not assume the exercise of the Company's share options, because this would result in a decrease in the loss per share.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations is based on the following data and the denominators detailed above for both basic and diluted loss per share:

	2016	2015
	HK$ million	HK$ million
Loss for the year attributable to owners of the Company:		
Loss for the purpose of basic and diluted loss per share	**(1,382)**	(1,126)
Adjust: Profit for the year from discontinued operations	**–**	(144)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(1,382)**	(1,270)

From discontinued operations

Basic and diluted earnings per share from discontinued operations for the year ended 31 December 2015 was HK$0.30 per share, based on the profit for the year from discontinued operations of HK$144 million and the denominators detailed above for both basic and diluted loss per share.

7. Debtors, deposits and prepayments

The Group maintains a defined credit policy. The general credit term ranges from 30 to 90 days.

Included in debtors, deposits and prepayments are debtors with an aged analysis (based on the repayment terms set out in sale and purchase agreements or invoice date) at the end of the reporting period as follows:

	31 December 2016 HK$ million	31 December 2015 HK$ million
Trade debtors aged analysis (note a):		
Not yet due or within 90 days	**761**	**584**
91 days to 180 days	**–**	**1**
181 days to 360 days	**–**	**1**
Over 360 days	**3**	**7**
	764	**593**
Retention receivable	**263**	**220**
Prepayments, deposits and other receivables (note c)	**850**	**857**
	1,877	**1,670**
Less: amounts due for settlement after 12 months	**–**	**(12)**
	1,877	**1,658**

Notes:

(a) Included in the trade debtors are receivables of HK$16 million (31 December 2015: HK$35 million), which are aged over 180 days, based on the date on which revenue was recognised.

(b) No provision for impairment is considered necessary in respect of the amounts past due but not impaired as there has not been a significant change in credit quality and balances are still considered fully recoverable.

(c) Included in prepayments, deposits and other receivables are receivables of HK$423 million (2015: HK$417 million) due from China Central Properties Limited's former subsidiary group (the "Debtor"), which hold a property interest in the PRC and were disposed of in 2008. The amounts are repayable on demand and out of the total outstanding balance, an amount of HK$134 million (2015: HK$143 million) carries interest at prevailing market rates. A court in the PRC issued notices to attach the aforesaid property interest to cause the Debtor to settle part of the onshore outstanding receivables in the amount of RMB140 million (approximately HK$157 million) (2015: RMB140 million (approximately HK$167 million)) and its related interest. In addition to these receivables, the Company has provided a guarantee in relation to a loan granted to the Debtor (see note 9(d)). In the opinion of the Directors of the Company, given that there have been continued positive outcomes in the legal disputes in relation to the property interest, including the successful registration of title deed of the property under the name of the Debtor in May 2015, a court order was issued in 2016 to request the Debtor to preserve certain assets, in a value capped at RMB122 million, in the course of a legal proceeding on the recovery of an offshore loan receivable of US$12 million against the Debtor, the Directors of the Company believe that these receivables will be fully settled and the guarantee provided by the Company will be fully released either through the public auction of the aforesaid property interest or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

8. Creditors and accrued charges

The aged analysis of creditors (based on invoice date) of HK$604 million (31 December 2014: HK$531 million), which are included in the Group's creditors and accrued charges, is as follows:

	31 December 2016 HK$ million	31 December 2015 HK$ million
Trade creditors aged analysis:		
Within 30 days	**448**	375
31 days to 90 days	**57**	30
91 days to 180 days	**9**	4
Over 180 days	**90**	122
	604	531
Retention payable	**348**	313
Provision for contract work/construction cost	**812**	694
Other accruals and payables	**228**	234
	1,992	1,772

9. Contingent liabilities

At 31 December 2016, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

(a) Standby documentary credit arranged with a bank to secure a bank loan of RMB83 million (HK$93 million) (2015: RMB110 million (HK$131 million)) granted to a subsidiary of an associate.

(b) Effective share of guarantees issued in favour of banks and other financial institution amounting to HK$1,292 million (2015: HK$827 million) to secure bank and other loans granted to certain joint ventures and associates.

(c) Effective share of a guarantee issued in favour of a joint venture (the "Joint Venture", which was formed between an associate and an independent third party (the "Joint Venture Partner")) and the Joint Venture Partner for an amount not exceeding RMB18 million (HK$20 million) (2015: RMB99 million (HK$118 million)) in respect of certain of the Group's payment obligations to the Joint Venture and the Joint Venture Partner.

(d) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of China Central Properties Limited ("CCP") at that time (the "Former Subsidiary"). Subsequently, the Former Subsidiary was sold by CCP in 2008, but the Company remained as the guarantor for the bank loan following the disposal (see note 7(c) for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee to October 2017, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$606 million) (2015: RMB542 million (HK$647 million)) and the related interest amounting to RMB347 million (HK$388 million) (2015: RMB280 million (HK$334 million)) are secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and at the end of the reporting period after taking into consideration the possibility of the default of the parties involved. Accordingly, no value has been recognised in the consolidated statement of financial position.

FINANCIAL REVIEW

FINANCIAL RESULTS

The Group's loss attributable to shareholders for the year ended 31 December 2016 was HK$1,382 million on a turnover of HK$5,345 million, compared with a loss of HK$1,126 million on a turnover of HK$5,916 million for the previous year.

The Directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

Certain of the Group's property businesses are conducted through joint ventures and associates, hence the HK$5,345 million turnover for the year has not included the Group's share of the turnover of these joint ventures and associates. An analysis is as follows:

	Year ended 31 December 2016 HK$ million	Year ended 31 December 2015 HK$ million
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**4,711**	5,606
Property	**634**	306
Others	**–**	4
Total	**5,345**	5,916
Joint ventures and associates		
Property	**1,535**	308
Others	**37**	55
Total	**1,572**	363
Total	**6,917**	6,279

The construction business recorded a 16% decrease in turnover for the year, as compared with the previous year. This was mainly due to the completion of certain construction contracts from the Architectural Services Department during the year, including the relocation of the Department of Justice and construction of the West Kowloon Law Courts Building and the Sports Centre, Community Hall and District Library Complex in Shatin, valued at approximately HK$3.6 billion in total. Major new contracts, including the construction of Public Rental Housing Development at Shek Kip Mei and a housing development under Home Ownership Scheme at Kai Tai as well as two term maintenance contracts for the Education Bureau for a total contract sum of approximately HK$3.5 billion, awarded during the year contributed limited turnover during their initial stages of construction works.

Revenue from the property business increased from HK$306 million in the previous year to HK$634 million in the current year, due mainly to the disposal of the Zunyi project for a consideration of approximately HK$462 million in January 2016. Excluding this en-bloc disposal, property sales revenue continued to decrease this year because the inventories of the Group's wholly-owned property projects have been substantially sold over the last few years.

The consideration of approximately HK$364 million for the disposal of the remaining 20% interest in Shenyang Project Phase II in January 2016 and the revenue derived from the strata-title sales of the apartment units of an investment property – Tower 18, Lakeville Regency in Shanghai, amounting to approximately HK$362 million during the year, have not been included in turnover according to applicable accounting rules.

The Group's share of property sales revenue from the jointly developed projects increased to HK$1,535 million in the current year, from HK$308 million in the previous year, was mainly attributable to the 81%-owned Chengdu Centropolitan which commenced handing over the pre-sold residential units to buyers from the third quarter of the year. In addition, higher residential sales revenue was recognised by the 22%-owned Dalian Tiandi in the current year. Revenue in the previous year mainly came from the strata-title sales of the apartments in the 65%-owned Beijing Centrium Residence and 80%-owned Shanghai Four Seasons Place, before these projects together with their remaining apartment units were disposed of en-bloc in April and July 2015 respectively.

An analysis of the results attributable to shareholders is set out below:

	Year ended 31 December 2016 HK$ million	Year ended 31 December 2015 HK$ million
Property		
(Loss) profit from property sales and net rental expenses	**(38)**	22
Fair value changes on investment properties, net of deferred tax provision	**(29)**	(34)
Share of losses of joint ventures and associates	**(977)**	(494)
Impairment loss on a property under development for sale	**–**	(238)
Operating expenses, net of project fee income	**(155)**	(220)
	(1,199)	(964)
Construction	**75**	108
Cement - LSOC (discontinued operations)		
Share of losses, net of other income	**–**	(272)
Net gain on disposal	**–**	416
	–	144
Venture capital investments	**(25)**	(20)
Net finance costs	**(125)**	(206)
Corporate overheads	**(43)**	(63)
Taxation and others	**(39)**	(108)
Non-controlling interests	**(26)**	(17)
Total	**(1,382)**	(1,126)

Property

Net loss on property sales for the current year was largely due to the transaction costs and taxes in relation to the disposal of the Zunyi project in January 2016, which cannot be covered by the limited profit contribution from sales of the already low inventory of the Group's wholly-owned projects. Impairment loss provision of HK$238 million was already made in 2015 to write down the carrying value of the Zunyi project by reference to the amount of the contracted sales consideration.

Negative rentals after expenses were incurred by the Group's investment properties, consisting mainly of the shopping malls of Chongqing Creative Concepts Center and Shenyang Project Phase I.

The significant increase in the share of losses of the Group's jointly developed projects for this year was mainly due to the share of (a) HK$462 million impairment losses provided on the property assets of the 81%-owned Chengdu Centropolitan project, as the selling prices of the apartment units remained depressed amid oversupply of housing in this 2-tier city, and (b) HK$103 million revaluation loss on the investment properties in the 45%-owned Tianjin Veneto project.

During the current year, the Renminbi registered a further 6.8% depreciation against the Hong Kong dollar, and this brought about foreign exchange losses to the Group's property projects, including jointly developed ones, totalling HK$115 million (2015: HK$169 million).

The Group recorded further saving in total operating expenses of some HK$30 million in the current year as the assets monetisation steadily progressed and the organisation was streamlined further.

Construction

Construction business reported a decrease in profit for the current year, which was partly attributable to lower turnover in Hong Kong and Macau. Average net profit margin decreased to 1.6% of turnover, from 1.9% in the previous year, mainly because of the movements in steel and labour costs not sufficiently covered by the fluctuation income received from the client on certain government construction projects, the HK$5 million additional cost provision for the lead-in-water incident, and considerable cost overrun, largely resulting from under-performance of certain subcontractors, in one of the construction projects.

Net finance costs

Net finance costs decreased significantly to HK$125 million for the year, from HK$206 million for the previous year, in line with the considerable reduction in bank and other borrowings during the current year.

Corporate overheads

Considerable decrease in corporate overheads for the current year was the result of streamlining the organisation structure at the corporate level.

ASSETS BASE

The total assets and net assets of the Group are summarised as follows:

	31 December 2016 HK$ million	31 December 2015 HK$ million
Total assets	**9,210**	12,339
Net assets	**3,835**	5,542
	HK$	HK$
Net assets per share	**7.9**	11.4

Total assets of the Group decreased to HK$9.2 billion at 31 December 2016 from HK$12.3 billion at 31 December 2015, and this will be explained in the segment analysis below. The decrease in net assets of the Group and net assets per share was largely attributable to the HK$1,382 million loss for the year, and the reduction in the translation reserve of HK$319 million as a result of the depreciation of the Renminbi against the Hong Kong dollar.

An analysis of the total assets by business segments is set out below:

	31 December 2016 HK$ million	**%**	31 December 2015 HK$ million	%
Property	**6,479**	**70**	9,439	76
Construction	**1,934**	**21**	1,817	15
Others	**797**	**9**	1,083	9
Total	**9,210**	**100**	12,339	100

The Group continued with the monetisation plan for its property assets in the Mainland. In 2016, the Group disposed of the Zunyi project, the remaining 20% interest in Shenyang Project Phase II and certain property inventories in Shanghai Lakeville Regency Tower 18, Shenyang Project Phase I and Guangzhou Parc Oasis. The sales proceeds were largely applied towards repayment of the Group’s bank borrowings and settlement of other liabilities. In addition, the Group’s property portfolio suffered decrease in book values due to (a) impairment loss provisions in Chengdu Centropolitan and Dalian Tiandi, (b) fair value loss of various investment properties by reference to the market valuation at 31 December 2016, and (c) foreign exchange loss on translation of the Renminbi-denominated assets into Hong Kong dollar, the Company’s reporting currency, as a result of the depreciation of the Renminbi against the Hong Kong dollar. Accordingly, the Group saw a significant decrease in total assets, particularly property assets, during the year.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company decreased to HK$3,835 million on 31 December 2016, from HK$5,542 million on 31 December 2015, for the reasons outlined above.

The realisation of the Group's property projects and inventories in the Mainland has further reduced the total bank and other borrowings by approximately 29% to HK$2,354 million on 31 December 2016, from HK$3,335 million on 31 December 2015. Net bank and other borrowings of the Group, which represented bank and other borrowings, net of bank balances, deposits and cash, amounted to HK$1,285 million on 31 December 2016, as compared with HK$1,163 million on 31 December 2015. The slight increase in net bank and other borrowings was mainly attributable to the advances made by the Group to its jointly developed property projects during the year.

The maturity profile of the Group's bank and other borrowings is set out below:

	31 December 2016 HK$ million	31 December 2015 HK$ million
Bank and other borrowings repayable:		
Within one year	**1,685**	2,914
After one year but within two years	**398**	222
After two years but within five years	**271**	199
Total bank and other borrowings	**2,354**	3,335
Bank balances, deposits and cash	**(1,069)**	(2,172)
Net bank and other borrowings	**1,285**	1,163

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, increased to 33.5% at 31 December 2016, from 21.0% at 31 December 2015, mainly as a result of the significant decrease in shareholders' equity during the year as explained already.

TREASURY POLICIES

The Group's financing and treasury activities are centrally managed and controlled at the corporate level.

The Group's bank borrowings are mainly denominated in the Hong Kong dollar and have been arranged on a floating-rate basis. Investments in the Chinese Mainland are partly funded by capital already converted into Renminbi and partly financed by borrowings in the Hong Kong dollar. Renminbi financing is primarily at project level where the sources of repayment are also Renminbi denominated. Given that income from operations in the Chinese Mainland is denominated in Renminbi and property assets in the Chinese Mainland are normally priced in Renminbi on disposal, the Group expects that the fluctuations of Renminbi in the short-term will affect the Group's business performance and financial status. The Group has converted part of its existing Hong Kong dollar borrowings into Renminbi to hedge against currency risk exposure. Subsequent to the year end, major currency hedging contracts have been taken out to reduce potential foreign exchange risk in the short term arising from possible continued depreciation of the Renminbi.

It is the Group's policy not to enter into derivative transactions for speculative purposes.

EMPLOYEES

At 31 December 2016, the number of employees in the Group was approximately 1,220 (31 December 2015: 1,340) in Hong Kong and Macau, and 480 (31 December 2015: 550) in subsidiaries and joint ventures in the Chinese Mainland. Remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits, including provident fund schemes and medical insurance, remained at appropriate levels. The Group continued to retain and develop talents through executive development and management trainee programmes. Based on the financial performance of the Group as well as the individual performance and contribution of the staff members each year, share options may be granted to senior management and staff members under different schemes as reward and long-term incentives. Likewise, in the Chinese Mainland, staff benefits are commensurate with market levels, with emphasis on building the corporate culture, and professional training and development opportunities are provided for local employees. It remains our objective to be regarded as an employer of choice to attract, develop and retain high calibre and competent staff.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance through its continuous effort in improving its corporate governance practices.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group. It has also considered selected accounting, internal control and financial reporting matters of the Group, in conjunction with the Company's external auditor.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2016, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviations explained below.

Code provision B.1.2 of the CG Code provides that the terms of reference of the Remuneration Committee should include, among others, the responsibilities to (i) determine or make recommendations to the Board on the remuneration packages of the individual Executive Director and senior management; (ii) review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment; and (iii) review and approve the remuneration proposals for management with reference to the Board's corporate goals and objectives. The Remuneration Committee has reviewed its functions and considered that these responsibilities in relation to the remuneration and compensation of management should be vested in the Executive Directors who have a better understanding of the level of expertise, experience and performance expected of the management in the daily business operations of the Group. The Remuneration Committee would continue to be primarily responsible for the review and determination of the remuneration package of the individual Executive Director. After due consideration, the Board adopted the revised terms of reference of the Remuneration Committee with the said responsibilities in relation to the remuneration and compensation of management excluded from its scope of duties, which deviates from code provision B.1.2. Notwithstanding such deviation, the Remuneration Committee is still responsible for reviewing, approving and making recommendations to the Board on the guiding principles applicable to the determination of the remuneration packages of senior management.

Having reviewed the practices and procedures of remuneration committees in other jurisdictions, the Remuneration Committee decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration. Such recommendations were made to the Board by the Chairman of the Company, taking the advice of external professionals as appropriate. This practice has been formally adopted, and the Board approved the amendment to the terms of reference of the Remuneration Committee in this respect, which also deviates from the stipulation in code provision B.1.2 that the Remuneration Committee should make recommendations to the Board on the remuneration of Non-executive Directors. The Non-executive Directors abstain from voting in respect of the determination of their own remuneration at the relevant Board meetings.

As stipulated in code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting of the Company. Due to sickness, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 23 May 2016. In his absence, the then Managing Director and Chief Financial Officer of the Company chaired the meeting and responded to shareholders' questions about the Group's affairs.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the "AGM") of the Company will be held at Regal Ballroom, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 26 May 2017 at 4:30 p.m. A circular containing the notice of the AGM will be despatched to shareholders together with the Company's 2016 Annual Report on or around Friday, 21 April 2017. The same will also be published on the websites of the Company and the Stock Exchange.

For ascertaining the shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 22 May 2017.

By Order of the Board
SOCAM Development Limited
Lo Hong Sui, Vincent
Chairman

Hong Kong, 24 March 2017

At the date of this announcement, the Executive Directors of the Company are Mr. Lo Hong Sui, Vincent, and Mr. Wong Yuet Leung, Frankie; the Non-executive Director of the Company is Mr. Tsang Kwok Tai, Moses; and the Independent Non-executive Directors of the Company are Ms. Li Hoi Lun, Helen, Mr. Chan Kay Cheung and Mr. William Timothy Addison.

** For identification purpose only*

Website: www.socam.com