Poly Property Group Co., Limited
保 利 置 業 集 團 有 限 公 司

(Incorporated in Hong Kong with limited liability)
(Stock code: 119)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2016

RESULTS

The directors (the "Directors") of Poly Property Group Co., Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2016 with comparative figures for the previous year ended 31st December, 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2016 HK$'000	2015 HK$'000
Revenue	3	**30,580,326**	24,933,367
Cost of sales		**(25,582,484)**	(22,064,695)
Gross profit		**4,997,842**	2,868,672
Increase in fair value of investment properties		**116**	654,745
Other gains, net		**157,148**	57,481
Selling expenses		**(688,183)**	(845,236)
Administrative expenses		**(1,404,984)**	(1,272,734)
Gain on disposal of interest in a subsidiary		**644,158**	–
Impairment loss on properties under development and held for sale		**(86,207)**	(1,321,390)
Other operating expenses		**(430,176)**	(306,387)
Finance costs	4	**(910,434)**	(1,091,723)
Share of results of associates		**(15,530)**	(12,835)
Share of results of joint ventures		**(30,529)**	33,565
Profit (loss) before income tax expense	5	**2,233,221**	(1,235,842)
Income tax expense	6	**(2,012,049)**	(1,536,449)
Profit (loss) for the year		**221,172**	(2,772,291)
Attributable to:			
Owners of the Company		**80,745**	(2,817,149)
Holders of perpetual capital instruments		**72,325**	131,812
Non-controlling interests		**68,102**	(86,954)
		221,172	(2,772,291)
Earnings (loss) per share (expressed in HK cents)	8		
– Basic		**2.21**	(76.94)
– Diluted		**2.21**	(76.94)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016 *HK$'000*	2015 *HK$'000*
Profit (loss) for the year	**221,172**	(2,772,291)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	**(1,285,505)**	(1,553,039)
Change in fair value of available-for-sale investments	**(7,289)**	(20,282)
	(1,292,794)	(1,573,321)
Items that will not be reclassified to profit or loss:		
(Deficit) surplus arising on revaluation of properties	**(71,323)**	54,785
Other comprehensive income before tax effect	**(1,364,117)**	(1,518,536)
Deferred tax liability arising on revaluation of properties	**17,831**	(13,696)
Other comprehensive income for the year, net of tax	**(1,346,286)**	(1,532,232)
Total comprehensive income for the year	**(1,125,114)**	(4,304,523)
Attributable to:		
Owners of the Company	**(863,300)**	(3,931,470)
Holders of perpetual capital instruments	**1,741**	71,464
Non-controlling interests	**(263,555)**	(444,517)
	(1,125,114)	(4,304,523)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Non-current assets			
Investment properties		**10,406,785**	11,095,284
Property, plant and equipment		**2,016,012**	2,118,470
Prepaid lease payments — non-current portion		**316,243**	346,172
Goodwill		**–**	281,331
Interests in associates		**246,317**	277,064
Interests in joint ventures		**2,309,944**	1,369,744
Available-for-sale investments		**310,877**	116,331
Deposits paid for acquisition of land use rights		**1,551,551**	960,518
Deposits paid for acquisition of subsidiaries		**2,471,910**	238,095
Deferred tax assets		**303,786**	404,150
Total non-current assets		**19,933,425**	17,207,159
Current assets			
Properties under development		**52,859,911**	60,504,098
Properties held for sale		**20,904,988**	23,753,872
Other inventories		**137,808**	146,835
Trade and other receivables	*9*	**4,677,407**	3,843,983
Prepaid lease payments — current portion		**10,397**	10,927
Short-term loan receivables		**–**	–
Amounts due from associates		**37,078**	329,625
Amounts due from joint ventures		**2,938,059**	3,148,682
Amounts due from non-controlling shareholders of subsidiaries		**542,767**	780,518
Taxation recoverable		**1,664,408**	1,504,280
Pledged bank deposits		**785,305**	440,437
Bank balances, deposits and cash		**17,581,484**	17,908,117
Total current assets		**102,139,612**	112,371,374

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Current liabilities			
Trade and other payables	*10*	**13,953,062**	13,594,948
Pre-sale deposits		**25,723,676**	24,423,105
Property rental deposits		**126,120**	118,266
Amounts due to joint ventures		**672,749**	12,450
Amount due to the ultimate holding company		**388,469**	22,488
Amount due to an intermediate holding company		**509,304**	26,859
Amounts due to fellow subsidiaries		**825,110**	2,468,125
Amounts due to non-controlling shareholders of subsidiaries		**2,161,076**	2,903,925
Taxation payable		**1,543,986**	1,626,685
Bank and other borrowings — due within one year		**13,398,644**	17,805,446
Total current liabilities		**59,302,196**	63,002,297
Net Current assets		**42,837,416**	49,369,077
Total assets less current liabilities		**62,770,841**	66,576,236
Capital and reserves attributable to owners of the Company			
Share capital		**17,685,677**	17,685,677
Reserves		**7,011,038**	7,874,338
Equity attributable to owners of the Company		**24,696,715**	25,560,015
Perpetual capital instruments		**–**	1,227,472
Non-controlling interests		**2,285,344**	2,638,461
Total equity		**26,982,059**	29,425,948
Non-current liabilities			
Bank and other borrowings — due after one year		**30,325,635**	31,538,386
Notes payable		**3,900,000**	3,900,000
Loan from a fellow subsidiary		**202,247**	214,286
Deferred tax liabilities		**1,360,900**	1,497,616
Total non-current liabilities		**35,788,782**	37,150,288
		62,770,841	66,576,236

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the provisions of the Hong Kong Companies Ordinance (Cap. 622), which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rule"). The consolidated financial statements have been prepared under the historical cost basis except for investment properties, hotel properties and available-for-sale investments, which are measured at their fair values or revalued amounts.

The preparation of financial statements in conformity with HKFRSs requires management to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The financial information relating to the year ended 31st December, 2016 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance, Cap. 622 (the "Companies Ordinance") is as follows:

The Company will deliver the financial statements for the year ended 31st December, 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised HKFRSs — effective 1st January, 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The initial adoption of these amendments to HKFRSs does not have a material effect on the Group's results and financial position.

(b) New/revised HKFRSs that have been in issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Statement of cash flows: Disclosure Initiative[1]
Amendments to HKAS 12	Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1st January, 2017

2 Effective for annual periods beginning on or after 1st January, 2018

3 Effective for annual periods beginning on or after 1st January, 2019

4 The amendments were originally intended to be effective for periods beginning on or after 1st January, 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKAS 7 — Statement of cash flows: Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Income taxes recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

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

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group has already commenced an assessment of the impact of adopting the above Standards and amendments to existing Standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. SEGMENT AND ENTITY-WIDE INFORMATION

Reportable segments

For management purposes, the Group is organised into four operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

Property development business	—	property development
Property investment and management	—	property investment and management
Hotel operations	—	hotel and restaurant business and its related services
Other operations	—	manufacturing and sales of digital discs and others

Information about these segments is presented below:

For the year ended 31st December, 2016

	Property development business *HK$'000*	Property investment and management *HK$'000*	Hotel operations *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
REVENUE						
External revenue	29,105,716	1,180,330	189,032	105,248	–	30,580,326
Inter-segment revenue*	–	246,723	–	–	(246,723)	–
Total revenue	29,105,716	1,427,053	189,032	105,248	(246,723)	30,580,326
SEGMENT RESULTS	2,516,149	386,814	(9,434)	61,272	–	2,954,801
Unallocated income						130,728
Unallocated expenses						(539,973)
Gain on disposal of interest in a subsidiary	644,158	–	–	–	–	644,158
Finance costs						(910,434)
Share of results of associates	(15,530)	–	–	–	–	(15,530)
Share of results of joint ventures	(30,910)	–	–	381	–	(30,529)
Profit before income tax expense						2,233,221
Income tax expense						(2,012,049)
Profit for the year						221,172

* *Inter-segment revenue were charged with reference to prices charged to external parties for similar services or products.*

At 31st December, 2016

Assets and liabilities

	Property development business *HK$'000*	Property investment and management *HK$'000*	Hotel operations *HK$'000*	Other operations *HK$'000*	Total *HK$'000*
Assets					
Segment assets	86,174,488	11,264,128	1,335,946	387,940	99,162,502
Interests in associates	246,317	–	–	–	246,317
Interests in joint ventures	2,308,266	–	–	1,678	2,309,944
Unallocated corporate assets					20,354,274
Total assets					122,073,037
Liabilities					
Segment liabilities	43,070,566	1,192,501	190,776	63,035	44,516,878
Unallocated corporate liabilities					50,574,100
Total liabilities					95,090,978

For the year ended 31st December, 2015

	Property development business *HK$'000*	Property investment and management *HK$'000*	Hotel operations *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
REVENUE						
External revenue	23,510,764	1,114,910	198,046	109,647	–	24,933,367
Inter-segment revenue*	–	179,327	–	–	(179,327)	–
Total revenue	23,510,764	1,294,237	198,046	109,647	(179,327)	24,933,367
SEGMENT RESULTS	(744,258)	970,603	(28,724)	23,020	–	220,641
Unallocated income						143,855
Unallocated expenses						(529,345)
Finance costs						(1,091,723)
Share of results of associates	(12,835)	–	–	–	–	(12,835)
Share of results of joint ventures	41,656	–	–	(8,091)	–	33,565
Loss before income tax expense						(1,235,842)
Income tax expense						(1,536,449)
Loss for the year						(2,772,291)

* *Inter-segment revenue were charged with reference to prices charged to external parties for similar services or products.*

At 31st December, 2015
Assets and liabilities

	Property development business *HK$'000*	Property investment and management *HK$'000*	Hotel operations *HK$'000*	Other operations *HK$'000*	Total *HK$'000*
Assets					
Segment assets	94,316,638	11,602,635	1,488,569	215,075	107,622,917
Interests in associates	277,064	–	–	–	277,064
Interests in joint ventures	1,367,969	–	–	1,775	1,369,744
Unallocated corporate assets					20,308,808
Total assets					129,578,533
Liabilities					
Segment liabilities	42,741,962	717,565	223,193	58,184	43,740,904
Unallocated corporate liabilities					56,411,681
Total liabilities					100,152,585

4. FINANCE COSTS

	2016 **_HK$'000_**	2015 *HK$'000*
Interest on interest bearing borrowings	**3,746,104**	4,358,890
Less: amounts capitalised	**(2,835,670)**	(3,267,167)
	910,434	1,091,723

Borrowing cost capitalised during the year arose from specific borrowings.

5. PROFIT (LOSS) BEFORE INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Profit (loss) before income tax expense is arrived at after charging:		
Amortisation of prepaid lease payments (included in administrative expenses)	**10,636**	11,156
Depreciation of property, plant and equipment	**127,905**	139,779
Total depreciation and amortisation	**138,541**	150,935
Loss on disposal of investment properties	**10,245**	8,823
Loss on disposal of property, plant and equipment	**4,333**	57,403

6. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**1,017,635**	555,333
PRC Withholding Income Tax	**5,751**	–
	1,023,386	555,333
Land Appreciation Tax ("LAT")	**947,352**	880,579
Deferred taxation	**41,311**	100,537
	2,012,049	1,536,449

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made as there is no assessable profit for both years.

The PRC Statutory Enterprise Income Tax is calculated at 25% based on the estimated assessable profit for the year.

The PRC Withholding Income Tax of 10% has been levied on gain arising on dividend income from a fellow subsidiary.

Certain PRC subsidiaries are also subject to the PRC LAT which is levied at progressive rates ranging from 30% to 60% on the appreciation of properties, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction.

7. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Dividends recognised as a distribution during the year:		
2014 final dividend of HK$0.076 per share	**–**	278,277

No interim dividend was paid for both years.

The directors of the Group recommend no payment of a final dividend for 2015 and 2016.

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share for the year is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
Earnings (loss):		
Profit (loss) for the year attributable to owners of the Company	**80,745**	(2,817,149)

	2016	2015
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**3,661,537,046**	3,661,467,799
Effect of dilutive potential ordinary shares on share options	**–**	57,571
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**3,661,537,046**	3,661,525,370

9. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**364,339**	647,587
Less: Allowance for doubtful debts	**–**	–
	364,339	647,587
Other receivables (net of allowance of HK$122,482,000) (2015: HK$43,592,000)	**4,313,068**	3,196,396
Total trade and other receivables	**4,677,407**	3,843,983

The credit terms in connection with sales of properties granted to the customers are set out in the sale and purchase agreements and vary from agreements. There is no concentration of credit risk with respect to trade receivables arise from sales of properties as the Group has numerous customers. In respect of sales of goods granted to trade customers, the Group allows an average credit period of 30 to 90 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**111,592**	242,655
31 to 90 days	**5,778**	12,818
More than 90 days	**246,969**	392,114
	364,339	647,587

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**5,071,002**	4,490,045
31 to 90 days	**300,455**	66,568
More than 90 days	**5,121,099**	5,603,298
Total trade payables	**10,492,556**	10,159,911
Bills payables	**–**	149,617
Other payables	**3,460,506**	3,285,420
Total trade and other payables	**13,953,062**	13,594,948

The average credit period is 90 days. The Group has financial risk management policies in place to ensure that all payable is within the credit time frame.

11. COMPARATIVE FIGURES

Conforming to current year's presentation, expenses of HK$306,387,000 previously included in administrative expenses have been reclassified as other operating expenses for the year ended 31st December, 2015. The revised presentation reflects more appropriately the nature of these items. The reclassification had no effect on the reported financial position, results or cash flows of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

For the year ended 31st December, 2016 (the "Year"), the Group recorded a revenue of HK$30,580,326,000 (2015: HK$24,933,367,000), representing an increase of 22.6% when comparing to last year. Profit attributable to shareholders amounted to HK$80,745,000 (2015 loss attributable to shareholders: HK$2,817,149,000), while basic/diluted earnings per share stood at HK2.21 cents (2015 basic loss per share: HK76.94 cents) and HK2.21 cents respectively (2015 diluted loss per share: HK76.94 cents). The Board of Directors of the Group recommend no payment of a final dividend for the Year.

As at 31st December, 2016, shareholders' equity reached HK$24,696,715,000 (as at 31st December, 2015: HK$25,560,015,000), along with a net asset value per share of HK$6.74 (as at 31st December, 2015: HK$6.98).

Property Development

During the Year, the total gross floor area of newly commenced construction of Poly Property Group (the Group, together with its joint ventures and associated companies), was approximately 3,710,000 square metres. The total contracted area sold amounted to approximately 2,790,000 square metres. There were 54 continual launches and 6 debut launches during the Year. The gross floor area of the completed construction for the Year was approximately 3,010,000 square metres. As at 31st December, 2016, Poly Property Group had 67 projects in various phases, covering a total gross floor area of approximately 37,260,000 square metres.

Property Sales

In 2016, the Central Government has continued its strategy in "Policy by City", in its attempt to resolve the structural polarization of the Chinese real estate market. The policy, developed under the primary objective of inventory reduction, strived to control the inflating housing prices of first-tier and second-tier cities, whilst addressing the oversupply issues in third-tier and forth-tier cities through customized regulations based on the immediate market conditions of an individual city. Facing an ever-changing market environment, the policy soon focused its execution on market stabilization, thus leading to an easing-then-contracting approach along the Year.

Specifically regarding the policies, the People's Bank of China (the "Central Bank"), together with the China Banking Regulatory Commission, took several adjustments in the reduction of mortgage down payment ratio during the Year, targeting cities that were not subject to property purchase restrictions. In addition, the Central Bank, in collaboration with the Ministry of Housing and Urban-Rural Development (the "MOHURD") and the Ministry of Finance, also revised the deposit rates of housing provident fund accounts. Subsequently, the Ministry of Finance, the State Administration of Taxation and the MOHURD introduced tax benefits in housing deed tax and business tax during real estate transaction, not to mention that on top of the aforementioned adjustments, there were over 30 provinces successively offering incentives, such as the inclusion into the housing provident fund as well as housing/rental subsidies to migrant workers, in order to encourage housing purchase in certain cities. Supported by a series of housing policies, a relaxed monetary and credit environment, and favourable tax benefits and subsidies, the demand from owner-occupiers in over a hundred of key cities have rose steadily which led to the rising number of housing transactions, and in return, setting new highs in annual transaction amount, land prices and housing prices.

Due to the increasing number of transactions as well as the release of inelastic demand, the inventory pressure has been relieved and housing prices have continued to rise. In the first three quarters of 2016, price inflation remained significant, especially in the major cities such as Shenzhen and Shanghai where supply has been limited, and some of the third-tier and forth-tier cities have also caught up with the rapid pace of price rises. According to a report published by China Index Research Institute, the average housing price in a hundred of key cities recorded a continuous, month-on-month increase between January and August, representing an 11.75% cumulative growth during the same period. To counter the pressure and risks associated with the high prices, particularly on the economic development, financial system, and living costs front, all levels of government have since adapted their regulations in the fourth quarter, thus measures have gone through a cycle of relaxing and tightening. By taking various measures from expanding purchase restrictions, credit tightening, to stricter enforcement of regulations, the market struck a contracting note which helped to slow down the growth in hotspot cities. As a result, the growth rate of first-tier housing price in October and November has successfully slowed by 5.59 percentage points when comparing to the last quarter. The number of housing transactions in the 50 representing cities has also dropped by 16.6 percentage points, or approximately 38.8 million square metres, during the same period when comparing to the last quarter.

In terms of land supply and its price, although the total national transacted land size for the Year has dropped on a year-on-year basis, its price has demonstrated continuous growth particularly in first-tier cities. Combining the land scarcity with convenient financing channels from large corporations, it was rather common for the growth in land value to be far greater than the growth in property price in major cities, with the two factors closely linked to each other.

From a real estate investment viewpoint, it has bottomed out and started to increase since the beginning of 2016, driven by the low base effect, the rapid increase in gross floor area of new construction projects, as well as the rising land acquisitions. However, in the second half of 2016, real estate investment has entered into a period of fluctuation, due to a combination of tightening land supply on a national scale, along with the changing policies in land supply in some of the major cities.

Throughout 2016, the Group has taken an active position in countering the fluctuations and challenges in the property market. During the Year, carrying out its general principle of "Inventory Clearance, Investment Control, Risk Prevention and Efficiency Enhancement in an Innovative Way to Boost Sustainable Growth", the Group was able to deliver a promising results and successfully turned loss into profit. Leveraging on the brand theme of "Poly Brings You Joyful Living" (心保利•悦萬家), the Group has also continued to uphold its market-oriented and customer-focused approach in determining its production plan while making references to sales volume. The approach was able to achieve a complete breakthrough in sales performance. For the Year, Poly Property Group has achieved a contracted sales of approximately RMB34.9 billion, or 2.79 million square metres in area.

Region	**Contracted Sales in 2016 by Region*** *(RMB million)*	**Percentage**	**Contracted Area Sold in 2016 by Region** *('000 square metres)*	**Percentage**
Yangtze River Delta	13,214	38%	466	17%
Pearl River Delta	6,152	18%	474	17%
Southwestern	8,141	23%	1,134	41%
Others	7,428	21%	714	25%

* *including car parking sales*

New Land Reserves

Adhering to its prudent investment strategy, Poly Property Group has acquired four pieces of land in four cities in 2016, namely Kunming, Nanning, Yantai and Shanghai. The total site area of the plots amounted to approximately 280,000 square metres, with a total planned gross floor area of approximately 1,230,000 square metres.

Land Reserves Acquired in 2016

Land Plot/Project	**Type**	**Site Area** *('000 square metres)*	**Planned GFA** *('000 square metres)*	**Interests Attributable to the Group (as at 31st December, 2016)**	**Current Status (as at 28th February, 2017)**
Kunming Poly One Family One World	Commercial, Residential & Office	92	652	73%	Under construction
Nanning Poly Hearty, Phase II	Residential	30	191	100%	Under construction
Yantai Poly Ocean Luxe	Residential	71	205	70%	Under planning
Shanghai Jiading Project	Residential	87	182	14.867%	Under planning
Total:		**280**	**1,230**		

Summary of Newly Acquired Projects in 2016

1. *Kunming Poly One Family One World*

   The project is located in the west side of the central area of Wuhua District in Kunming, or east of Kunming New High-Tech Park, with the location looking to become the sub-business center of Wuhua District in the future. The project, with a planned gross floor area of approximately 650,000 square metres on a site of approximately 90,000 square metres, is planned to be a flagship community living project in Kunming, mainly targeting first-time buyers, first-time upgrade buyers and inelastic buyers.

2. *Nanning Poly Hearty, Phase II*

   The project is an urban renewal project located in Mingxiu Road East, Xixiangtang District, Nanning. Situated at the junction of Xingning, Qingxiu and Xixiangtang District, the location represents a key traditional commercial area at the center of Nanning, and is well-positioned to enjoy the geographical benefits of convenient transportation and comprehensive ancillary facilities, such as educational, medical and commercial amenities. The project is designed to become a high-quality residential community complemented by comprehensive ancillary facilities. Nanning Poly Hearty is intended to become an exquisitely-decorated flagship residential project in the region.

3. *Yantai Poly Ocean Luxe*

   The project is located in New High-Tech District, Yantai, north to Gangcheng Street East and east to Haibo Road. It is 15 kilometres away from Yantai Railway Station, 10 kilometres away from Yantai South Railway Station and 50 kilometres away from Yantai Chaoshui International Airport. With the continuous improvement in the ancillary facilities in New High-Tech District, the geographical advantages of the region has been ever expanding. The project is designed to be a premium living community featuring high-rise apartments to accommodate the needs of first-time buyers in the pursuit of quality lifestyle.

4. *Shanghai Jiading Project*

   The project is located in Jiading New City, Jiading District, Shanghai. It is situated east to Yongsheng Road, south to Maiji Road, west to Hezuo Road and north to Fengzhou Road. The project is merely 800 metres away from the Jiading New City Station of Line 11 of the Shanghai Metro, with well-developed ancillary facilities around and high market potentials. The project is positioned as an exquisite, entry-luxury mansions for upgrade buyers.

Projects under Construction and Projects under Planning

As at 31st December, 2016, Poly Property Group had a total of 67 commodity properties and integrated real estate development projects in 20 cities. Of the 67 projects, approximately 28% of the total gross floor area was located in Yangtze River Delta and Pearl River Delta Regions, 49% in Southwestern Region, and 23% in Other Regions. Meanwhile, 39 projects are under construction, with a total gross floor area of approximately 8,960,000 square metres (attributable area amounted to approximately 6,260,000 square metres), and a total gross floor area of approximately 10,440,000 square metres under planning (attributable area amounted to approximately 6,310,000 square metres).

List of Projects under Construction and under Planning as at 31st December, 2016

Project	GFA under construction *('000 square metres)*	GFA under planning *('000 square metres)*	Interest attributable to the Group *(%)*
Yangtze River Delta Region			
1. Shanghai Poly Deluxe Mansion	116	–	100%
2. Shanghai Poly Star Island	164	–	100%
3. Shanghai Poly Phili Mansion/Greenland Plaza	273	–	25%
4. Shanghai Poly Phili House	34	–	50%
5. Shanghai Shan Jin Poly Plaza	121	–	50%
6. Shanghai Poly Phili Regency	124	–	50%
7. Shanghai Jiading Project	–	182	14.867%
8. Suzhou Poly West Bank Villa	103	–	100%
9. Suzhou Poly Lake Mansion	517	100	100%
10. Ningbo Poly City	88	299	100%
11. Ningbo Poly Wonderland	342	–	100%
12. Ningbo Poly Jordan International	13	281	100%
13. Deqing Poly Origin	25	68	100%
Sub Total	**1,920**	**930**	**–**
Pearl River Delta Region			
14. Guangzhou Poly Gratified West Bay	98	466	55%
15. Guangzhou Nansha Poly City	245	392	85%
16. Guangzhou Poly Jade Hills	93	–	100%
17. Foshan Poly Central Park	411	–	100%
18. Huizhou Poly Deutch Kultur	100	–	80%
19. Huizhou Poly Sunshine Town	155	553	70%
Sub Total	**1,102**	**1,411**	**–**

Project	GFA under construction	GFA under planning	Interest attributable to the Group
	('000 square metres)	*('000 square metres)*	*(%)*
Southwestern Region			
20. Guiyang Poly Spring Street	42	180	66.5%
21. Guiyang Poly Park 2010	269	903	100%
22. Guiyang Poly The Place of A Lake	283	47	50%
23. Guiyang Poly Phoenix Bay	433	784	51%
24. Zunyi Poly Metropolis of Future	493	3,057	35%
25. Nanning Poly Crescendo	209	160	100%
26. Nanning Poly Dream River	210	–	30%
27. Nanning Poly Hearty	84	107	100%
28. Nanning Poly Town	907	720	41.5%
29. Liuzhou Poly Merization World	216	–	100%
30. Kunming Poly One Family One World	420	–	73%
Sub Total	**3,566**	**5,958**	
Other Regions			
31. Wuhan Poly City	701	460	68%
32. Wuhan Yangyuan Project	141	–	51%
33. Wuhan Poly Park	–	252	55%
34. Wuhan Poly Up Town	449	343	64.3%
35. Harbin Poly The Water's Fragrant Dike	–	250	58%
36. Harbin Poly City	241	265	100%
37. Jinan Poly Hyde Mansion	133	–	100%
38. Jinan Poly Center	326	–	85%
39. Jinan Poly Elegant Garden	157	–	80%
40. Yantai Poly Ocean Luxe	–	205	70%
41. Weihai Poly Maple Valley	129	–	70%
42. Hainan Poly Peninsula No. 1	–	369	100%
43. Hong Kong Kai Tak Vibe Centro	70	–	100%
44. Hong Kong Tuen Mun Project	21	–	100%
Sub Total	**2,368**	**2,144**	
Grand Total	**8,956**	**10,443**	

Completed Construction

In 2016, the Group has achieved a total gross floor area of approximately 3,010,000 square metres in completed construction. 4 projects have completed all phases of construction in the Year.

List of Completed Gross Floor Area in 2016

Project	**Completed GFA in 2016** *('000 square metres)*	**Accumulated completed GFA by the end of 2016** *('000 square metres)*
Yangtze River Delta Region		
Shanghai Poly Deluxe Mansion	64	64
Shanghai Poly Star Island	71	313
Shanghai Poly Phili House	215	215
Suzhou Poly West Bank Villa	184	274
Deqing Poly Origin	157	405
Pearl River Delta Region		
Guangzhou Poly Up House	155	155
Guangzhou Nansha Poly City	183	183
Foshan Poly Central Park	250	250
Shenzhen Poly Joy-Zone	135	135
Huizhou Poly Sunshine Town	58	154
Southwestern Region		
Guiyang Poly Park 2010	75	802
Guiyang Poly The Place of A Lake	242	529
Guiyang Poly Phoenix Bay	75	337
Zunyi Poly Metropolis of Future	21	1,621
Nanning Poly Hearty	112	112
Liuzhou Poly Merization World	219	713
Kunming Poly One Family One World	231	231
Other Regions		
Wuhan Poly City	98	570
Harbin Poly Up Town	23	186
Harbin Poly City	114	114
Jinan Poly Center	37	151
Jinan Poly Elegant Garden	145	262
Yantai Poly Blossom Garden	142	142
Grand Total:	**3,006**	**7,918**

Recognised Property Sales

A total of over 50 project sales has been recognised in 2016, with a total sales value of RMB26.16 billion and a total gross floor area of 2,355,000 square metres. The recognised average selling price was approximately RMB11,111 per square metre. Among the sales recognised, ordinary residential housing accounted for 78%, villas accounted for 8%, retail shops accounted for 10% and parking spaces accounted for 4% of the total value. In terms of geographical distribution, Yangtze River Delta and Pearl River Delta accounted for approximately 58% of the sales recognised, while Southwestern and Other Regions accounted for 22% and 20%, respectively.

List of Major Projects with Sales Recognised in 2016

Project	**Sales recognised in 2016** *(RMB million)*
Yangtze River Delta Region	
1. Shanghai Poly Star Island	1,220
2. Shanghai Poly Elegant Mansion	408
3. Shanghai Poly Deluxe Mansion	978
4. Shanghai Poly Felicity	7
5. Suzhou Poly West Bank Villa	2,024
6. Suzhou Poly Lake Mansion	345
7. Ningbo Poly City	390
8. Ningbo Poly Jordan International	254
9. Deqing Poly Origin	437
10. Others	926
Sub Total	**6,989**
Pearl River Delta Region	
11. Guangzhou Poly Golf Shire	217
12. Guangzhou Poly Zephyr City	50
13. Guangzhou Nansha Poly City	1,015
14. Guangzhou Poly Up House	1,085
15. Foshan Poly Cullinan Garden	179
16. Foshan Poly Prestige City	408
17. Foshan Poly Central Park	1,240
18. Shenzhen Poly Up Town	88
19. Shenzhen Poly Joy-Zone	3,224
20. Huizhou Poly Sunshine Town	218
21. Huizhou Poly Deutch Kultur	305
22. Others	29
Sub Total	**8,058**

Project	Sales recognised in 2016 *(RMB million)*
Southwestern Region	
23. Nanning Poly City	31
24. Nanning Poly Aegean Sea	516
25. Nanning Poly Hearty	161
26. Nanning Poly Crescendo	200
27. Liuzhou Poly Merization World	1,808
28. Guiyang Poly Spring Street	30
29. Guiyang Poly Clouds Hill International	30
30. Guiyang Poly Hot Spring Newisland	58
31. Guiyang Poly Park 2010	552
32. Guiyang Poly Phoenix Bay	559
33. Guiyang Poly The Place of A Lake	1,172
34. Zunyi Poly Metropolis of Future	292
35. Kunming Poly Lakeside Mansion	75
36. Kunming Poly Sky and Earth	128
37. Others	26
Sub Total	**5,638**
Other Regions	
38. Wuhan Poly Blue Ocean District	231
39. Wuhan Poly City	893
40. Harbin The Tsinghua Summer Palace of Poly	55
41. Harbin Poly The Water's Fragrant Dike	309
42. Harbin Poly Up Town	742
43. Harbin Poly City	593
44. Jinan Poly Hyde Mansion	460
45. Jinan Poly Center	356
46. Jinan Poly Elegant Garden	1,256
47. Weihai Poly Triumph Mansion	226
48. Yantai Poly Champs Elysees Mansion	105
49. Yantai Poly Blossom Garden	80
50. Hainan Poly Peninsula No. 1	151
51. Others	19
Sub Total	**5,476**
Grand Total:	**26,161**

Recognised Sales in 2016 by Property Type

Property type	**Sales recognised in 2016** *(RMB million)*	**Percentage** *(%)*
Apartment	20,455	78%
Villa	2,151	8%
Commercial	2,526	10%
Office	66	0%
Parking space	963	4%
Total	**26,161**	**100%**

Investment Properties

Poly Property Group has various investment properties and hotels located in first-tier cities and second-tier provincial capitals, reaching a total gross floor area of approximately 620,000 square metres, of which approximately 560,000 square metres are attributable to the Group. In 2016, the rent of Poly Property Group's office buildings and shopping malls have increased steadily when comparing with the corresponding period of last year. As for hotel operations, the occupancy rates of Beijing Poly Plaza, Hubei Poly Hotel and Regal Poly Guiyang Hotel also proved to be satisfactory.

List of Major Investment Properties and Hotels as at 31st December, 2016

Region	**Project**	**GFA held** *('000 square metres)*	**Average occupancy rate of 2016**	**Average occupancy rate of 2015**	**Interests attributable to the Group**	**Property type**
Beijing	Beijing Poly Plaza	94.64	100% (Office building) 69% (Hotel)	100% (Office building) 69%(Hotel)	75%	Office building, hotel and theatre
Beijing	Beijing Legend Garden Villas (partial)	30.40	99%	98%	100%	Apartment, Villa, commercial center, and etc.
Shanghai	Shanghai Stock Exchange Building (partial)	48.10	92%	99%	100%	Office building
Shanghai	Shanghai Poly Plaza (partial)	60.91	97%	99%	90%	Office building and commercial

Region	Project	GFA held *('000 square metres)*	Average occupancy rate of 2016	Average occupancy rate of 2015	Interests attributable to the Group	Property type
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	132.87	100%	100%	100%	Shopping mall, cinema, theatre, and etc.
Wuhan	Poly Hotel	34.08	74%	67%	100%	Hotel
Wuhan	Wuhan Poly Plaza (partial)	126.77	81%	75%	100%	Office building and commercial
Guiyang	Regal Poly Guiyang Hotel	39.13	51%	55%	66.5%	Hotel
Guiyang	Guiyang Poly International Center	51.85	100%	100%	66.5%	Commercial
Total:		**618.75**				

Property Management

The Group holds various property management companies which are engaged in the management of residential properties, hotels and high-end properties. They have been the leading players in the property management industry of the PRC and have received numerous titles and awards, such as "Outstanding Property Management Project in the PRC (全國物業管理優秀項目)" and "Outstanding Provincial Property Management Project (省級物業管理優秀項目)" in recent years.

In 2016, the Group's property management services realized a revenue of RMB492,577,000 from 132 projects, representing a year-on-year increase of 10.9%. The projects covered a wide range of property types including office buildings, hotels, shopping centers, villas and residential buildings, with a total gross floor area of 27,380,000 square metres, indicating a 4.4% year-on-year increase.

2017 Outlook

In mid-December, 2016, the Central Economic Work Conference has confirmed that the economy would be looking for steady improvement in 2017, as to create a solid foundation and favourable market condition for the development of the real estate market. It also emphasized the importance of owner-occupation, and at the same time, expressing a determined stance in controlling speculative demand.

Looking ahead into 2017, it is expected that the Central Government will continue to adopt the "Policy by City" strategy, by using customized regulations in differentiating regional property markets. In the meantime, the Central Government also sees land supply as a crucial element in the supply-side reformation. Through short-term adjustment to land supply, it hopes to maintain a reasonable level of inventory-to-sale ratio of residential properties among different cities and ease the competitive atmosphere. To further facilitate the supply-side reform, inventory clearance effort will also be reinforced in third-tier and fourth-tier cities. Specifically targeting major cities where property price is unreasonably overpriced, it will also look into the possibility of tightening credit policy as well as the equal distribution of credits, in a way to increase the difficulty and costs of property speculation.

In the long run, the Chinese Government aims to rely on precise regulations, as well as a mid-to-long term effective mechanism in regulating its housing development. By taking advantage of the future forces of regional integration and new urbanization, the Government intends to foster a solid business environment for the stable and steady improvement of the real estate sector.

Despite the ever-changing nature of the market, the Group will continue to pursue steady growth in operation and results through prudent planning in various annual operating tasks. It will also actively explore opportunities for transformation and upgrades in order to provide further impetus for growth.

Amid the launch of Hong Kong Kai Tak Vibe Centro as scheduled, the Group will also pay more attention to the Hong Kong market. As a well-developed real estate market with premier geographical location, stable and sound investment environment as well as a comprehensive judicial system, Hong Kong has always been favoured by purchasers at home and abroad for years, with steadily increasing demand and promising growth potential in the future. The Group is optimistic about the prospects of the Hong Kong property market, and regards the city as a market for long-term development. Plans for business expansion in Hong Kong and Macau are also in line with the recent development and investment strategy of the Group. The Group will capture the opportunity arising from the successful launch of Vibe Centro to further explore premium land resources and develop projects of high quality, with a view to promote balanced development of the Group.

In 2017, Poly Property Group will strive to achieve the following key operating targets: newly commenced construction of a gross floor area of approximately 3 million square metres; achieving a contracted sales of approximately 2.8 million square metres, or approximately RMB35 billion in value.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 31st December, 2016, total equity attributable to shareholders of the Company amounted to HK$24,696,715,000 (2015: HK$25,560,015,000), while the net asset value per share was HK$6.74 (2015: HK$6.98). As at 31st December, 2016, the Group's gearing ratio (on the basis of the amount of total liabilities divided by the amount of total assets) was 77.9% (2015: 77.3%).

As at 31st December, 2016, the Group had an outstanding bank and other borrowings (including the notes payable) of HK$47,624,279,000. In terms of maturity, the outstanding bank and other borrowings (including notes payable) can be divided into HK$13,398,644,000 (28%) to be repaid within one year, HK$20,901,635,000 (44%) to be repaid after one year but within two years, HK$11,830,293,000 (25%) to be repaid after two years but within five years, HK$1,493,707,000 (3%) to be repaid after five years. In terms of currency denomination, the outstanding bank and other borrowings (including the notes payable) can be divided into HK$36,278,653,000 (76%) in Renminbi, HK$7,018,893,000 (15%) in United State dollars, and HK$4,326,733,000 (9%) in Hong Kong dollars.

48.8% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 51.2% are subject to floating interest rates. Therefore, under circumstances of interest rates uncertainty or fluctuations or otherwise as appropriate, the Group will consider the use of hedging instruments (including interest rates swaps), in order to manage interest rate risks.

As at 31st December, 2016, the Group had a net current assets of HK$42,837,416,000 and total bank balances of HK$18,366,789,000 (2015: HK$49,369,077,000 and HK$18,348,554,000 respectively). With the available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi and United States dollars. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimised via balancing the monetary assets versus monetary liabilities, and foreign exchange revenue versus foreign exchange expenditures. The management believes that the foreign exchange rate between Hong Kong dollars and United States dollars is relatively stable. Due to recent devaluation of Renminbi exchange rate against Hong Kong dollars, the Group closely monitors the fluctuation and adopts policy to minimise exchange rate risks, if necessary.

Pledged Assets

At the end of the reporting period, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	2016	2015
	HK$'000	*HK$'000*
Investment properties	**2,809,663**	4,532,142
Hotel properties	**507,865**	503,929
Buildings	**36,076**	104,254
Prepaid lease payments	**194,866**	191,321
Properties under development	**13,792,049**	17,782,220
Properties held for sale	**3,017,770**	1,319,957
Bank deposits	**785,305**	440,437
	21,143,594	24,874,260

In addition to above pledge of assets, at 31st December, 2016 and 2015, the Group's interests in certain subsidiaries was pledged to secure credit facilities granted to the Group. The details of net asset value of subsidiaries are as follows:

	2016	2015
	HK$'000	*HK$'000*
Total assets	**9,413,596**	12,498,665
Total liabilities	**(8,486,520)**	(11,466,405)
	927,076	1,032,260

Contingent Liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK$28,393,520,000 as at 31st December, 2016 (2015: HK$22,704,939,000). Such guarantees terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

At 31st December, 2016, the Group had given guarantees to certain banks in respect of credit facilities granted to certain associates and joint ventures of the Group amounting to HK$ Nil (2015: HK$1,827,619,000) and HK$1,853,932,000 (2015: HK$952,381,000) respectively, of which HK$ Nil (2015: HK$1,827,619,000) and HK$1,853,932,000 (2015: HK$952,381,000) had been utilised by the associates and joint ventures respectively.

EMPLOYEES

As at 31st December, 2016, the Group employed about 12,029 employees with remuneration for the year amounted to HK$1,040,798,000. The Group provides its employees with various benefits including year-ended double-pay, contributory provident fund and medical insurance. In addition, share options and discretionary bonuses are also granted based on the Group's and individual's performance. Employee trainings are also provided as and when required.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

REVIEWED BY AUDIT COMMITTEE

The Audit Committee presently comprises one non-executive Director, namely Mr. Ip Chun Chung, Robert, and three independent non-executive Directors, namely Miss Leung Sau Fan, Sylvia (as Chairlady), Mr. Choy Shu Kwan and Mr. Wong Ka Lun. The financial statements of the Group for the year ended 31st December, 2016 has been reviewed by the Audit Committee.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year under review, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code"), other than code provisions A.5.1 to A.5.4 and E.1.2 of the CG Code. The reasons for deviations from such provisions are explained below:

Code Provisions A.5.1 to A.5.4 of the CG Code – Nomination Committee

Under code provisions A.5.1 to A.5.4 of the CG Code, listed issuers should, among others, establish a nomination committee with specific written terms of reference. The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on and approves the structure, size and composition of the Board, appoints or re-appoints of any Director and assesses the independence of independent non-executive Directors. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with the relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors.

Code Provision E.1.2 of the CG Code – Attendance of Chairman of the Board at the Annual General Meetings

Under code provision E.1.2 of the CG Code, the chairman of the board should attend annual general meetings. Due to his health conditions at the relevant time, Mr. Xue Ming, the chairman of the Company, was unable to attend the annual general meeting of the Company held on 31st May, 2016.

The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Model Code and the code of conduct regarding directors' securities transactions adopted by the Company throughout the year ended 31st December, 2016.

SCOPE OF WORK OF MESSRS. SHU LUN PAN UNION (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31st December, 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Shu Lun Pan Union (HK) CPA Limited ("Shu Lun Pan HK"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Shu Lun Pan HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Shu Lun Pan HK on the preliminary announcement.

PROPOSED CHANGE OF AUDITOR

The Company has been informed by its existing auditor, Shu Lun Pan HK, that it will retire as the auditor of the Company with effect from the conclusion of the forthcoming annual general meeting of the Company (the "AGM") and will not stand for re-appointment due to its integration with BDO Limited.

On 21st March, 2017, the Board resolved, with the recommendation from the Audit Committee, to propose the appointment of BDO Limited as the new auditor of the Company following the above-mentioned retirement of Shu Lun Pan HK and such proposed appointment is subject to the approval of the shareholders of the Company at the AGM.

Shu Lun Pan HK has confirmed that there are no matters connected with its retirement which need to be brought to the attention of the shareholders or creditors of the Company. Both the Board and the Audit Committee confirm that there are no matters in respect of the proposed change of auditor that need to be brought to the attention of the shareholders or creditors of the Company. The Board also confirms that there are no disagreements or unresolved issues between the Company and Shu Lun Pan HK.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website and the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 2016 Annual Report will also be available at the Company's and the Stock Exchange's websites and will be despatched to shareholders of the Company in April 2017.

For and on behalf of the Board
Poly Property Group Co., Limited
XUE Ming
Chairman

Hong Kong, 21st March, 2017

As at the date of this announcement, the executive Directors are Mr. Xue Ming, Mr. Han Qingtao, Mr. Wang Xu, Mr. Ye Liwen and Mr. Zhu Weirong, the non-executive Director is Mr. Ip Chun Chung, Robert, and the independent non-executive Directors are Mr. Choy Shu Kwan, Miss Leung Sau Fan, Sylvia and Mr. Wong Ka Lun.