越秀地產股份有限公司
YUEXIU PROPERTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

Announcement of 2016 Annual Results

Results Summary

- The revenue for the year was approximately RMB20.87 billion, representing a year-on-year decrease of 5.6%.
- The gross profit was approximately RMB4.34 billion, and gross profit margin was approximately 20.8%.
- Profit attributable to equity holders was approximately RMB1.54 billion, representing a year-on-year increase of 52.1%; core net profit* was approximately RMB1.72 billion, representing a year-on-year increase of 38.6%.
- The value of the aggregate contracted sales (including contracted sales by joint venture projects) for the year amounted to approximately RMB30.25 billion, representing a year-on-year increase of 21.7%, and accounted for approximately 117.3% of the full year contracted sales target of RMB25.8 billion.
- As at the date of this announcement, the Group has newly acquired 11 land parcels mainly located in Guangzhou, Hangzhou, Wuhan and Qingdao, with total GFA of approximately 4.21 million sq.m.. In terms of the attributable interest to the Group, the total GFA was approximately 2.04 million sq.m. and the land premium was approximately RMB10.58 billion.
- The Group successfully acquired the Nansha Phase 10 Land, with a total GFA of approximately 0.94 million sq.m., from its parent company Guangzhou Yue Xiu Holdings Limited (廣州越秀集團有限公司) to further strengthen the Group's leading market position in Guangzhou.
- Net operating cash inflow of approximately RMB5.15 billion was achieved; the cash and cash equivalents and charged bank deposits at the end of the year were approximately RMB22.02 billion, representing an increase of 45.2% as compared to the beginning of the year.

- Guangzhou City Construction & Development Co. Ltd., a subsidiary of the Company, successfully issued corporate bonds of RMB8.0 billion in the PRC with a weighted average coupon rate of 2.9963%.
- The Group's average borrowing interest rate decreased from 4.95% for 2015 to 4.64% for 2016; the net gearing ratio** went down from 73.1% at the beginning of the year to 53.1%.
- The proportion of foreign currency denominated loans decreased significantly to 14.5% from 53.4% at the beginning of the year. A match in essence between remaining foreign currency denominated loans and the existing offshore assets has been achieved and thus the impact of foreign exchange exposure on consolidated income statement has been basically eliminated.
- The Board proposed to declare a final dividend for 2016 of HKD0.032 per share (equivalent to RMB0.028 per share); together with the interim dividend, dividends for the full year of 2016 was HKD0.065 (equivalent to RMB0.056 per share), representing a year-on-year increase of 35.4% in terms of HKD; total dividends for the full year of 2016 accounted for approximately 40% of the core net profit.
- The plan of co-investment by project management teams and win-win profit-sharing plan was fully promoted and optimized and the senior management share incentive scheme has been successfully implemented.

• Revenue	RMB20.87 billion (-5.6%)
• Gross profit margin	20.8% (-0.3 percentage points)
• Profit attributable to equity holders	RMB1.54 billion (+52.1%)
• Core net profit	RMB1.72 billion (+38.6%)
• Contracted sales value	RMB30.25 billion (+21.7%)
• Unrecognized sales value	RMB27.62 billion (+22.2%)
• Total assets	RMB125.36 billion (+11.9%)
• Cash and cash equivalents and charged bank deposits	RMB22.02 billion (+45.2%)
• Net gearing ratio	53.1% (-20.0 percentage points)

* Core net profit represents profit attributable to equity holders excluding net fair value (losses)/gains on revaluation of investment properties and the related tax effect and net foreign exchange (loss)/gain recognized in the consolidated income statement.

** Net gearing ratio represents the borrowings net of cash and cash equivalents and charged bank deposits divided by equity.

RESULTS

The board of directors ("Directors" or "Board") of Yuexiu Property Company Limited ("Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") prepared under Hong Kong Financial Reporting Standards for the year ended 31 December 2016, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016** *RMB'000*	**2015** *RMB'000*
Revenue	3	20,871,021	22,115,677
Cost of sales	4	(16,531,420)	(17,456,861)
Gross profit		4,339,601	4,658,816
Proceeds from sales of investment properties		180,193	285,012
Direct costs of investment properties sold		(154,043)	(190,808)
Gain on sales of investment properties		26,150	94,204
Fair value (losses)/gains on revaluation of investment properties, net		(307,595)	439,781
Other gains, net	5	1,062,904	114,421
Selling and marketing costs	4	(613,279)	(722,128)
Administrative expenses	4	(884,293)	(891,292)
Operating profit		3,623,488	3,693,802
Finance income		201,321	87,729
Finance costs	6	(901,962)	(1,127,670)
Share of profit of			
- joint ventures		55,061	18,355
- associated entities		385,553	323,349
Profit before taxation		3,363,461	2,995,565
Taxation	7	(1,636,585)	(1,841,021)
Profit for the year		1,726,876	1,154,544

	Note	2016 RMB'000	2015 RMB'000
Attributable to			
Equity holders of the Company		1,540,154	1,012,889
Non-controlling interests		186,722	141,655
		1,726,876	1,154,544
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
- Basic and diluted	8	0.1242	0.0817
Dividends	9	704,199	493,069

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	**2015**
	RMB'000	*RMB'000*
Profit for the year	1,726,876	1,154,544
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	(104,649)	24,839
Change in fair value of available-for-sale financial assets, net of tax	136,049	40,851
Other comprehensive income for the year, net of tax	31,400	65,690
Total comprehensive income for the year	1,758,276	1,220,234
Attributable to		
Equity holders of the Company	1,564,154	1,076,357
Non-controlling interests	194,122	143,877
	1,758,276	1,220,234

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 *RMB'000*	2015 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		1,583,815	1,462,807
Investment properties		14,337,252	14,168,595
Land use rights		233,326	244,458
Interests in joint ventures		4,241,073	5,134,642
Interests in associated entities		11,238,601	7,083,320
Available-for-sale financial assets		1,186,208	988,875
Deferred tax assets		221,491	208,302
		33,041,766	29,290,999
Current assets			
Properties under development		44,138,207	40,171,217
Properties held for sale		12,683,569	12,754,963
Prepayments for land use rights		5,143,797	11,888,938
Inventories		47,308	36,061
Derivative financial instrument		79	27
Trade receivables	10	36,359	32,465
Other receivables, prepayments and deposits		6,825,617	1,861,832
Taxation recoverable		984,691	783,447
Charged bank deposits		4,330,554	5,622,570
Cash and cash equivalents		17,691,428	9,545,548
		91,881,609	82,697,068
Non-current assets held-for-sale		441,541	36,587

	Note	2016 *RMB'000*	2015 *RMB'000*
LIABILITIES			
Current liabilities			
Trade and note payables	11	63,499	125,105
Advance receipts from customers		16,139,912	13,915,464
Other payables and accrued charges		26,793,143	20,374,641
Borrowings		6,778,340	5,511,795
Taxation payable		3,151,762	2,607,085
		52,926,656	42,534,090
Net current assets		39,396,494	40,199,565
Total assets less current liabilities		72,438,260	69,490,564
Non-current liabilities			
Borrowings		33,514,935	32,653,146
Deferred tax liabilities		4,478,236	5,275,522
Deferred revenue		59,212	61,006
Other payables and accrued charges		—	34,686
		38,052,383	38,024,360
Net assets		34,385,877	31,466,204
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		12,759,402	12,759,402
Other reserves		566,555	542,555
Retained earnings			
- Proposed dividends	9	347,237	198,421
- Others		16,950,792	16,117,798
		30,623,986	29,618,176
Non-controlling interests		3,761,891	1,848,028
Total equity		34,385,877	31,466,204

Notes

1. **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, derivative financial instruments and available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The unaudited financial information relating to the year ended 31 December 2016 and the financial information relating to the year ended 31 December 2015 included in this Results Announcement for the year ended 31 December 2016 does not constitute the Company's statutory annual consolidated financial statements for these years but, in respect of the year ended 31 December 2015, 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) is as follows:

The financial statements for the year ended 31 December 2016 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of the Companies in due course.

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on the financial statements for the year ended 31 December 2015. 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 Hong Kong Companies Ordinance (Cap. 622).

2. **Accounting policies**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

(a) Amended and new standards adopted by the Group:

The following amendments to existing standards and new standard are mandatory for the first time for the financial year beginning on or after 1 January 2016:

HKAS 1 (Amendment)	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
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual improvements 2014 cycle	Improvements to HKFRSs

The Group has assessed the impact of the adoption of these amended and new standards that are effective for the first time for this financial year and considered that there was no material impact on the Group.

(b) New Hong Kong Companies Ordinance (Cap.622)

These consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of Section 381 which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to Cap. 622) in the company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 Consolidated Financial Statements so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provisions of Section 380(6), the Company has departed from Section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the Group's accounting policy.

(c) New standards and amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 7 (Amendment)	Statement of Cash Flows	1 January 2017
HKAS 12 (Amendment)	Income Taxes	1 January 2017
HKFRS 2	Classification and Measurement of Share-base Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018

		Effective for accounting periods beginning on or after
HKFRS 10 and HKAS 28 (Amendments)	Sale and Contribution of Assets Between an Investor and its Associate of Joint Venture	To be announced
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to existing standards but is not yet in a position to state whether they will have a significant impact on its reported results of operations and financial position. The Group intends to adopt these new standards and amendments to existing standards when they become effective.

3 Segment information

The chief operating decision-maker has been identified as the executive directors. Management determines the operating segments based on the Group's internal reports, which are then submitted to the executive directors for performance assessment and resources allocation.

The executive directors consider the business by nature of business activities and assess the performance of property development, property management, property investment and others.

The Group's operating and reportable segments under HKFRS 8 and the types of turnover are as follows:

Property development	sales of property development activities
Property management	property management services
Property investment	property rentals
Others	revenue from real estate agency and construction and building design consultancy services

The executive directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments and other unallocated operating costs. Other information provided, except as noted below, to the executive directors are measured in a manner consistent with that in the consolidated financial statements.

Total assets excluded deferred tax assets, taxation recoverable and corporate assets. Corporate assets are not directly attributable to segments.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the executive directors are measured in a manner consistent with that in the consolidated income statement.

	Property development	Property management	Property investment	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016					
Revenue	19,346,285	670,751	523,652	1,400,139	21,940,827
Inter-segment revenue	—	(71,274)	(5,692)	(992,840)	(1,069,806)
Revenue from external customers	19,346,285	599,477	517,960	407,299	20,871,021
Segment results	2,568,186	61,125	(12,956)	28,649	2,645,004
Depreciation and amortisation	(54,022)	(492)	—	(156)	(54,670)
Fair value losses on revaluation of investment properties, net	—	—	(307,595)	—	(307,595)
Share of profit/(loss) of					
- joint ventures	55,061	—	—	—	55,061
- associated entities	(28,336)	—	384,073	29,816	385,553

	Property development	Property management	Property investment	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2015					
Revenue	21,074,165	549,668	284,937	1,154,652	23,063,422
Inter-segment revenue	—	(97,339)	(5,283)	(845,123)	(947,745)
Revenue from external customers	21,074,165	452,329	279,654	309,529	22,115,677
Segment results	2,991,597	15,855	675,105	3,759	3,686,316
Depreciation and amortisation	(46,468)	(437)	—	(10,930)	(57,835)
Fair value gains on revaluation of investment properties, net	—	—	439,781	—	439,781
Share of profit of:					
- joint ventures	18,355	—	—	—	18,355
- associated entities	2,905	—	275,282	45,162	323,349

	Property development	Property management	Property investment	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2016					
Segment assets	91,296,147	1,031,997	14,778,793	552,268	107,659,205
Interests in joint ventures	4,241,073	—	—	—	4,241,073
Interests in associated entities	4,749,723	—	6,281,340	207,538	11,238,601
Total reportable segments' assets	100,286,943	1,031,997	21,060,133	759,806	123,138,879
Total reportable segments' assets include:					
Additions to non-current assets (note)	447,643	2,728	572,646	1,000	1,024,017

	Property development	Property management	Property investment	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2015					
Segment assets	83,153,011	542,040	14,168,595	422,808	98,286,454
Interests in joint ventures	5,134,642	—	—	—	5,134,642
Interests in associated entities	714,605	—	6,191,003	177,712	7,083,320
Total reportable segments' assets	89,002,258	542,040	20,359,598	600,520	110,504,416
Total reportable segments' assets include:					
Additions to non-current assets (note)	163,887	3,018	1,337,935	460	1,505,300

Note: Non-current assets represent non-current assets other than financial instruments (financial instruments include interests in joint ventures and interests in associated companies) and deferred tax assets.

A reconciliation of total segment results to total profit before taxation is provided as follows:

	Year ended 31 December	
	2016	**2015**
	RMB'000	*RMB'000*
Segment results	2,645,004	3,686,316
Unallocated operating costs *(note)*	(84,420)	(106,935)
Other gains, net	1,062,904	114,421
Operating profit	3,623,488	3,693,802
Finance income	201,321	87,729
Finance costs	(901,962)	(1,127,670)
Share of profit of:		
- joint ventures	55,061	18,355
- associated entities	385,553	323,349
Profit before taxation	3,363,461	2,995,565

Note: Unallocated operating costs include mainly staff salaries, rent and rates, depreciation and other operating expenses.

A reconciliation of reportable segments' assets to total assets is provided as follows:

	As at 31 December	
	2016	**2015**
	RMB'000	*RMB'000*
Total reportable segments' assets	123,138,879	110,504,416
Deferred tax assets	221,491	208,302
Taxation recoverable	984,691	783,447
Corporate assets	1,019,855	528,489
Total assets	125,364,916	112,024,654

No geographical segment analysis is shown as more than 90% of the Group's revenue are derived from activities in and from customers located in the China and more than 90% of the carrying values of the Group's non-current assets excluding deferred income tax are situated in China.

For the years ended 31 December 2016 and 2015, the Group does not have any single customer with the transaction value over 10% of the total external sales.

4 Expenses by nature

Cost of sales, selling and marketing costs, and administrative expenses include the following:

	2016	**2015**
	RMB'000	*RMB'000*
Advertising and promotion expenses	515,108	626,328
Business tax and other levies	987,682	1,341,179
Cost of properties sold included in cost of sales	14,649,149	15,409,565
Cost of inventories included in cost of sales	138,906	37,283
Direct operating expenses arising from investment properties	184,711	107,983
Depreciation	43,538	47,250
Amortisation of land use rights	11,132	10,585
Operating leases - Land and buildings	56,733	66,465
Auditor's remuneration	6,000	5,996
Employee benefit expenses	1,094,996	1,082,964
Provision for impairment of properties held for sale	240,243	251,000
Other expense	100,794	83,683
	18,028,992	19,070,281

5 Other gains, net

	2016	**2015**
	RMB'000	*RMB'000*
Gains on disposal of subsidiaries	599,712	—
Gain on deemed acquisition of an associated entity	358,422	—
Gain on disposal of non-current asset held-for-sale	48,510	—
Penalty income	45,683	—
Gain on disposal of property, plant and equipment	420	49,618
Fair value gain/(losses) on derivative financial instrument *(note)*	52	(12,969)
Gain on deemed disposal of associated entities	—	30,676
Government subsidy	—	19,269
Excess of the fair value of net assets of subsidiaries acquired over acquisition costs	—	9,953
Excess of the fair value of net assets of a joint venture acquired over acquisition costs	—	2,163
Others	10,105	15,711
	1,062,904	114,421

Note: The derivative financial instrument referred to the call option granted to the Group.

6 **Finance costs**

	2016	2015
	RMB'000	*RMB'000*
Interest on bank borrowings and overdrafts	1,415,379	1,516,612
Interest on borrowings from related companies	15,798	29,647
Interest on borrowings from an intermediate holding company	80,699	—
Interest on other borrowings	364,633	314,133
Interest on other payable *(note)*	181,209	—
Net foreign exchange loss on financing activities	139,112	1,019,423
Total borrowing costs incurred	2,196,830	2,879,815
Less: amount capitalised as investment properties, properties under development and property, plant and equipment	(1,427,960)	(1,752,145)
	768,870	1,127,670
Loss on extinguishment of financial liabilities	133,092	—
	901,962	1,127,670

Note: Interest on other payable represents interest on the current amount of a subsidiary of the Group due to a non-controlling interest. The balance is approximately RMB2.20 billion as at 31 December 2016. The balance, which is included in other payables and accrued charges, is repayable on demand and denominated in RMB.

7 **Taxation**

(a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2015: 16.5 percent) on the estimated assessable profit for the year.

(b) China enterprise income taxation is provided on the profit of the Group's subsidiaries, associated entities and joint ventures in China at 25 percent (2015: 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at tax rates ranging from 5 percent to 10 percent. During the year, withholding income tax was provided for dividend distributed and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, joint ventures and associated entities in China at tax rates ranging from 5 percent to 10 percent (2015: 5 percent to 10 percent).

(c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.

(d) The amount of taxation charged to the consolidated income statement comprises:

	2016	2015
	RMB'000	*RMB'000*
Current taxation		
Hong Kong profits tax	3,747	3,429
Macau complementary income tax	—	9,760
China enterprise income tax	938,319	777,140
China land appreciation tax	1,400,419	932,284
Over-provision in prior years	(59)	(124)
Deferred taxation		
Origination and reversal of temporary difference	(240,897)	157,971
China land appreciation tax	(698,416)	(153,229)
Corporate withholding income tax on undistributed profits	233,472	113,790
	1,636,585	1,841,021

8 **Earnings per share**

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the year.

	2016	2015
Profit attributable to equity holders of the Company (RMB'000)	1,540,154	1,012,889
Weighted average number of ordinary shares in issue ('000)	12,401,307	12,401,307
Basic earnings per share (RMB)	0.1242	0.0817

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Since there was no dilutive potential ordinary shares during the years ended 31 December 2016 and 31 December 2015, diluted earnings per share is equal to basic earnings per share.

9 Dividends

The dividends paid in 2016 was approximately RMB558 million (2015: RMB562 million). The directors proposed a final dividend of HKD0.032 per ordinary share, totalling approximately RMB347 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 6 June 2017. These financial statements do not reflect this dividend payable.

	2016	**2015**
	RMB'000	*RMB'000*
Interim, paid, of HKD0.033 equivalent to RMB0.028 (2015: HKD0.029 equivalent to RMB0.024) per ordinary share	356,962	294,648
Final, proposed, of HKD0.032 equivalent to RMB0.028 (2015: HKD0.019 equivalent to RMB0.016) per ordinary share	347,237	198,421
	704,199	493,069

10 Trade receivables

The Group has defined credit policies for different businesses. The credit terms of the Group are generally within six months. The ageing analysis of trade receivables is as follows:

	2016	**2015**
	RMB'000	*RMB'000*
0 - 30 days	19,758	16,703
31 - 180 days	3,929	3,279
181 - 365 days	1,207	1,375
Over 1 year	20,751	20,394
	45,645	41,751
Less: provision for impairment of trade receivables	(9,286)	(9,286)
	36,359	32,465

11 **Trade and note payables**

The ageing analysis of the trade and note payables is as follows:

	2016	**2015**
	RMB'000	*RMB'000*
0 - 30 days	44,425	54,655
31 - 90 days	1,899	60,510
91 - 180 days	11,265	2,265
181 - 365 days	1,999	3,979
1 - 2 years	3,731	231
Over 2 years	180	3,465
	63,499	125,105

CHAIRMAN'S STATEMENT

I. BUSINESS REVIEW

Economic and Market Environment

In 2016, the global economy continued to recover slowly amid instability and uncertainty. The "Brexit" brought a new risk factor for the global economic growth. The U.S. economy experienced strong growth, while the pace of emerging markets and developing economies' growth was slowing down. Eurozone countries' and Japan's economic recovery was very slow despite of their increasing efforts on quantitative easing. In 2016, under the new economic normality, even though China's economy faced numerous challenges such as stabilizing economic growth, adjusting economic structure, de-stocking and continuous depreciation of Renminbi, industrial and consumption growth remained stable and the year-on-year GDP growth remained at a relatively reasonable level of 6.7%, under the supply-side reforms and the continual release of the effect of the policy for stabilizing economic growth. However, growth in private investments was low and external demand remained weak. There were signs of slowing down in real estate investments, and downward pressure on macroeconomic growth increased. Facing a number of unfavorable internal and external factors, the central government continued to increase its policy support on stabilizing growth, accelerate supply-side reforms, promote urbanization and deepen reforms to generate dividends, resulting in the fundamental trend of a recovering and stable economy in China.

In 2016, under the support of multiple favorable policies including cutting down-payment, tax reduction and credit easing, the real estate market in China experienced strong growth in terms of both transaction volumes and prices. The GFA of commodity housing sales for the full year was approximately 1,570 million sq.m., representing a year-on-year increase of 22.5% while commodity housing sales value was approximately RMB11.8 trillion, representing a year-on-year increase of 34.8%. There was obvious progress achieved in "inventory reduction" in the real estate sector, which was a key momentum promoting stable macroeconomic growth. Along with strong growth in real estate sales, differentiation in the property market became more obvious. The transaction volumes in Tier 1 and selected Tier 2 cities rose significantly and prices increased rapidly. As a result, the property market overheated. Real estate developers were eager to replenish their land bank due to their strong sales performance, quicker inventory reduction and sufficient cash on hand together with more onshore funding channels and low capital costs. However, since the land supply was in shortage in hot cities, the competition for land projects was extremely intense. As a result, "Land Kings" frequently emerged and overall premium rate reached a historical new high level. Market risk was also accumulating and increasing gradually. To control the overheated property market in Tier 1 and selected Tier 2 cities, the government tightened control policies on property market regulation from the second quarter. In particular, since the end of the third quarter, control policies have been fully tightened in Tier 1 and selected Tier 2 cities by strictly restricting purchase, credit and prices in order to suppress the excessive growth in the price. The policy risk in the market grew. Under the influence of strict control measures implemented by the government, the sale volumes and prices growth in the property market in some of Tier 1 and selected Tier 2 cities started to go down. The government continued to implement policies by city and control measures by category and increased its efforts on “de-stocking” in Tier 3 and Tier 4 cities. As a result, inventory has improved, but the “de-stocking” task remained arduous.

Stable Growth in Operating Results

In 2016, the Group achieved sustainable stable growth in business operation by adhering to the key economic work guidelines of the central government to “eliminate inventory, stabilize growth”, conforming to the themes of “upgrading management to enhance capabilities and achieving breakthrough in reforms to promote development” and with the objectives of “revitalizing resources, enhancing capabilities and strengthening commercial projects”.

In 2016, the revenue of the Group was approximately RMB20.87 billion, representing a year-on-year decrease of 5.6%. Profit attributable to equity holders was approximately RMB1.54 billion, representing a year-on-year increase of 52.1%. Core net profit (profit attributable to equity holders excluding net fair value (loss)/gain on revaluation of investment properties and the related tax effect and net foreign exchange (loss)/gain recognised in consolidated income statement) was approximately RMB1.72 billion, representing a year-on-year increase of 38.6%.

The Board proposed to declare a final dividend for 2016 of HKD0.032 per share (equivalent to RMB0.028 per share). Together with the interim dividend, dividends for the full year of 2016 was HKD0.065 (equivalent to RMB0.056 per share), representing a year-on-year increase of 35.4% in terms of HKD. Total dividends for the full year of 2016 accounted for approximately 40% of the core net profit.

Record High Contracted Sales

In 2016, the Group recorded satisfactory sales performance and an increase in overall sales price by fully capitalizing opportunities of strong sales growth in the market resulting from favorable policies of "eliminate inventory, stabilize growth" implemented by the government, reasonably managing the development and sales progress, seizing the opportunities resulting from the release of the rigid and upgrading demand, adopting flexible sales strategies that are in line with the market and striving to increase the sell-through rate. For the reporting year, the Group recorded the aggregate contracted sales (including contracted sales by joint venture projects) value of approximately RMB30.25 billion (representing approximately 117.3% of the full year contracted sales target of RMB25.8 billion) and the aggregate contracted sales GFA of approximately 2.33 million sq.m., representing a year-on-year increase of 21.7% and 2.5%, respectively. The value of the aggregate contracted sales in the Pearl River Delta, the Yangtze River Delta and the Central China region was RMB28.55 billion, representing a year-on-year increase of 23.8% and accounting for approximately 94.4% of the Group's total contracted sales.

Diversified Increase in Landbank and Focus on Development in Three Major Regions

In 2016, the Group added 11 quality land parcels in 6 cities including Guangzhou, Hangzhou, Wuhan and Qingdao with a total GFA of approximately 4.21 million sq.m.. In terms of the attributable interest, GFA was approximately 2.04 million sq.m. and the land premium was approximately RMB10.58 billion. During the reporting period, the Group successfully acquired Nansha Phase 10 Land from its parent company, Guangzhou Yue Xiu Holdings Limited (廣州越秀集團有限公司), and increased its quality land bank in Nansha District, Guangzhou by approximately 0.94 million sq.m. The aggregate consideration paid was approximately RMB2.59 billion and the average land cost was approximately RMB2,700 per sq.m.. The successful acquisition of Nansha Phase 10 Land will further strengthen the Group's leading market position in Guangzhou and Nansha District.

In accordance with the Group's "13th Five-year Plan", in terms of regional expansion layout, the Group made the Pearl River Delta, the Yangtze River Delta and the Central China region, where Guangzhou, Hangzhou and Wuhan are located, the three key growth regions and allocated resources in priority. During the reporting period, the Group increased its resource allocation to Guangzhou, Hangzhou and Wuhan markets and there was an increase of 2.96 million sq.m. of quality land bank in such three cities in total. In terms of the attributable interest, the GFA was 1.30 million sq.m., which further strengthened the Group's market position in Guangzhou, Wuhan and Hangzhou.

As at the date of this announcement, the total land bank of the Group was approximately 14.62 million sq.m.. In terms of the attributable interest, the land bank was approximately 9.66 million sq.m.. The Group's land bank is located in 12 cities in the Pearl River Delta, the Yangtze River Delta, the Bohai Rim and the Central China region, over 90% of which is located in three key growth regions, namely the Pearl River Delta, the Yangtze River Delta and the Central China region.

Stable and Sound Financial Position

In 2016, the Group fully utilised its advantages of onshore and offshore diversified financing channels and the opportunities arising from decrease in onshore funding costs and consolidated and allocated financial resources to support the development of its principal business. In order to capitalise on the opportunities arising from the opening of onshore bonds market and low funding costs, RMB8.0 billion bonds were successfully issued in the PRC with a weighted average coupon rate of 2.9963%, which significantly reduced the overall funding costs. The average borrowing interest rate of the Group decreased from 4.95% in 2015 to 4.64%.

The Group continued to optimize its onshore and offshore debt structure. Based on the outlook of fluctuations in the exchange rate of Renminbi, the Group utilized onshore and offshore diversified financing channels to effectively allocate various resources and continued to repay foreign currency denominated loans at reasonable costs. The proportion of foreign currency denominated loans decreased significantly to 14.5% from 53.4% at the beginning of the year. A match in essence between the remaining foreign currency denominated loans and the existing offshore assets has been achieved and thus the impact of foreign exchange exposure on consolidated income statement has been basically eliminated.

During the reporting period, the Group recorded an operating net cash inflow of approximately RMB5.15 billion and had cash and cash equivalents and charged bank deposits of approximately RMB22.02 billion, representing an increase of 45.2% from the beginning of the year. As of 31 December 2016, the net gearing ratio of the Group decreased substantially from 73.1% at the beginning of the year to 53.1%.

Continued Enhancement of Commercial Development and Operation Capability

Commercial operation capability is the core competitive strength that the Group has been building up. The Group strengthened integration of business resources, optimized commercial platform in operation, established and implemented a Property-REIT based "dual platform" operation. The Group's commercial investment company and the listed REIT held by the Group accelerated the Group's commercial property development. As of the end of 2016, the Group directly owned approximately 0.88 million sq.m. of investment properties for leasing, and received rental income of approximately RMB0.52 billion, representing a year-on-year increase of 85.2%. The Group indirectly owned, through the Yuexiu Real Estate Investment Trust, approximately 0.74 million sq.m. of commercial properties for leasing and realized revenue of RMB1.84 billion, representing a year-on-year increase of 7.5%.

Continued Improvement in Refined Management

The Group fully implemented and optimized the activity-based costing and the lean management system with management accounting as its core, and optimized organizational structures and business platforms, so as to enhance its cost control capability.

During the reporting period, the Group continued to improve the market-oriented employment mechanism and strengthened the team building of professional managers. The plan of co-investment by project management teams and win-win profit-sharing plan were fully promoted and optimized within the Group. The share incentive scheme for the senior management was implemented successfully. The aim was to stimulate organizational vitality, enhance human capital efficiency and operational efficiency, strengthen inner growth momentum, and create value for shareholders.

II. BUSINESS OUTLOOK

Looking ahead in 2017, the global economy will continue its slow recovery, accompanied with growing instability and uncertainties. The global economy will continue its uneven and multipolar development. The U.S. economy will continue to grow strongly. Other advanced economies such as the eurozone countries, UK and Japan have seen signs of recovery, while emerging and developing economies' slow recovery is underway. Uncertainties from the new US government's policies, post-Brexit development and how fast the U.S. Federal Reserve will raise the interest rate will bring more challenges to the global economy's recovery and growth, heighten the volatility in the global economy and international financial markets, and increase risks in the world's trade and investment. Under the new economic normality, China's economy is at the critical stage of restructuring and upgrading. The new and old economy momentums are in transition. The real economy is still facing relatively considerable challenge, and it is difficult to see any substantive improvement in the external demand. The risk of a downturn remains high. It is anticipated that against such economic downturn challenge, the central government will further deepen the "supply side reform", accelerate reform and restructuring, and develop new growth forces for restoring momentum of economy. In addition, it will step up efforts on fiscal policy support and implement prudent and neutral monetary policies. It is expected that China's macro economy remains stable generally in 2017, with certain downside risks.

In 2017 the real estate industry will continue to play a role in stabilizing the economy and promoting growth. The industry's policy environment will be tightened as the policies will restore the real estate's positioning of living function, aiming for steady and healthy development of the real estate market. In line with the need to deflate housing bubble, the government will continue to maintain its policy keynote that exerts stringent control over the real estate market, although regulation by type and policies by city will be implemented based on specific market conditions. The real estate market will continue to differentiate. For tier 1 and major tier 2 cities, they will face certain market rectification. Transaction volumes will fall while general prices will basically remain stable due to short supply. For tier 3 cities and tier 4 cities, they still face pressure of de-stocking and market transaction volumes and prices will go downside simultaneously. Against the backdrop of stringent regulation, tightened financing to the industry and increased supply of lands by local governments, the hot land market will be cooled to a certain extent with competition eased. The industry will accelerate consolidation, resulting in continued rising of concentration, where acquisition and reorganization and cooperative development will become major growth drivers. Despite partial rectification in the real estate market in 2017, the medium to high growth rate of the economy, an increase in the per capita disposable income and the continued development of urbanization will create new room for growth for the real estate industry. With advancement of innovation and transformation in the industry, new business types and new development models will be attempted and practiced constantly. The government will expedite construction of fundamental systems and long-acting mechanisms for the real estate market to prevent a surge of or plunge in the real estate market and keep it generally stable.

In 2017, the Group aims for accomplishing the sales and operating targets for the full year, and adopts the work theme of "enhancing quality through upgraded management and promoting development through resources integration". The Group will strive to achieve its business development plan for the year and actively promote the implementation of various development strategies under the "13th Five-year Plan". The Group will focus on three core regions, namely Pearl River Delta, Yangtze River Delta and Central China Region, and strengthen and optimize the business of development and operation of residential and commercial properties and increase the operation capability of commercial properties. The Group targets to develop itself into an outstanding enterprise in the industry and constantly create value for shareholders.

Operation Strategies

The Group will implement the operation-oriented refined management system, build a product and service system centered on customers' needs, improve the market competitiveness of the whole property value chain and pursue sustainable and stable growth in principal operations of residential and commercial properties development. The Group will focus on and growth in three core regions, namely Pearl River Delta, Yangtze River Delta and Central China Region, speed up project turnover and endeavor to enhance the investment return rate of projects. The Group will actively promote operation of the commercial "Yuexiu Commercial Investment - REIT" dual platform, effectively consolidate internal and external business resources and boost the core competitiveness of commercial operation, also pursue "lease and sale" balanced development model and increase revenue from commercial operation. The Group will adopt a market-driven approach, take proactive and flexible marketing strategies, explore and widen sales channels, increase sell-through rate and rate of collection, thereby achieving steady growth in operating results.

Investment Strategies

The Group will leverage on advantage of parent company's resources and state-owned enterprises resources platform, to strengthen the effective approach of "incubation by the parent - acquisition by property" to increase quality landbank, and strategic cooperation with state-owned enterprises to explore quality land resources. Also, the Group will actively pursue cooperation and M&A opportunities in the secondary market, and deepen its participation in city renewal projects arising from a city's redevelopment of "old towns, old villages and old plants", so as to obtain quality land resources. The Group will capitalise on its market competitive strength in acquiring land resources via integration and diversification. The Group will continue to increase its resources allocation in key cities such as Guangzhou, Wuhan and Hangzhou and regions where they are located, optimize the landbank structure, and speed up the project turnover, in order to increase the rate of return on net assets of the projects.

Financial Strategies

The Group will keep optimizing capital management and enhance the safety and stability of its financial performance indicators. The Group will continue to optimize the balance sheet, reduce financing costs and effectively manage foreign exchange risk. The Group will consistently improve the operating cash flow, reinforce cash collection and financing management, and ensure liquidity and capital safety. The Group will comprehensively strengthen budget and overall financial management, increase the utilization rate of financial resources, as well as strengthen the support role of financial management in business development.

Management Strategies

The Group will aim for increasing operational efficiency and effectiveness, constantly optimize organizational structures and mechanisms for better regional management and control, raise organisational efficiency and control risk effectively. The Group will strengthen the function of strategy management, improve the operation and management system, and focus on enhancing competitiveness of key links such as investment, product, cost and service in the value chain. The plan of co-investment by project management teams and win-win profit-sharing plan will be fully promoted and optimized within the Group. The senior management and key personnel share incentive scheme will be implemented. The Group will continue to enhance refined management, and continuously implement and improve activity-based costing and the refined management system with management accounting as its core, and comprehensively strengthen management over financial, financing, investment and operational risks.

ACKNOWLEDGMENT

2017 is a year of transformation of the Group's development under the "13th Five-year" plan. The Group is now fully implementing the 2017 annual business plan and the "13th Five-year" development plan, and reforms and optimizes the organizational structure and the management mechanism by relentlessly enhancing capabilities, strengthening commercial projects and vitalizing resources. With respect to the achievements of the Group over the years, I would like to take this opportunity to extend my gratitude to the Board of Directors for their strong leadership and all our staff for their relentless endeavors, as well as to express my deepest appreciation to our shareholders, customers and business partners for their full confidence and dedicated support.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and Gross Profit

In 2016, the Group realized revenue of approximately RMB20.87 billion (2015: RMB22.12 billion), representing a year-on-year decrease of 5.6%. The total revenue (including proceeds from sales of investment properties) was approximately RMB21.05 billion (2015: RMB22.40 billion), representing a year-on-year decrease of 6.0%. The gross profit was approximately RMB4.34 billion (2015: RMB4.66 billion), representing a year-on-year decrease of 6.9%, and the gross profit margin reached approximately 20.8%.

Profit Attributable to Equity Holders

In 2016, profit attributable to equity holders of the Group was approximately RMB1.54 billion (2015: RMB1.01 billion), a year-on-year increase of 52.1%. If the net fair value (losses)/gains on revaluation of investment properties and the related tax effect and net foreign exchange profit or loss were not taken into account, the core net profit was approximately RMB1.72 billion (2015: RMB1.24 billion), a year-on-year increase of 38.6% and core net profit margin was approximately 8.2%.

Contracted Sales

In 2016, the value of the aggregate contracted sales (including contracted sales by joint venture projects) of the Group was approximately RMB30.25 billion, a year-on-year increase of 21.7% and accounted for approximately 117.3% of the full year contracted sales target of RMB25.8 billion. The GFA of the aggregate contracted sales (including contracted sales by joint venture projects) was approximately 2.33 million sq.m., representing a year-on-year increase of 2.5%. The average selling price was approximately RMB13,000 per sq.m., a year-on-year increase of 19.3%.

In terms of regional composition, with respect to the value of the aggregate contracted sales for 2016, Guangzhou accounted for approximately 43.1%, Pearl River Delta (excluding Guangzhou) accounted for approximately 21.4%, Yangtze River Delta accounted for approximately 16.5%, Central China Region accounted for approximately 13.4%, and Bohai Rim accounted for approximately 5.6%. In terms of product types, residential properties accounted for approximately 77.3%, and commercial properties, parking and others accounted for approximately 22.7%.

In 2016, sales primarily conducted in Guangzhou, Wuhan and Hangzhou accounted for approximately 67.1% of sales in aggregate. The development of the markets in Guangzhou and Wuhan remained healthy. In 2016, the average trading price and trading amount in Guangzhou represented year-on-year increases of 10% and 44%, respectively, while the average trading price and trading amount in Wuhan represented year-on-year increases of 7% and 43%, respectively. Though the trading volume of Hangzhou in November and December recorded a small year-on-year decrease as a result of the control implemented in the second half of the year, the average trading price and trading amount for the year showed year-on-year increases of 9% and 58%, respectively. It is expected that these three markets will continue to develop steadily in 2017.

Contracted sales are summarised as follows:

No.	**Project**	**Type**	**GFA** *(sq.m.)*	**Value** *(RMB mil)*	**ASP** *(RMB/sq.m.)*
1	Guangzhou Starry Golden Sands	Residential	19,600	510	26,000
2	Guangzhou Starry Wenhua	Residential	12,000	370	30,800
3	Guangzhou Paradiso Riverside	Residential	43,200	584	13,500
4	Guangzhou Starry Winking	Commercial	6,400	108	16,900
5	Guangzhou Starry Cullinan	Residential	4,100	218	53,200
6	Guangzhou Lingnan Hillside	Residential, parking	10,800	141	13,100
7	Guangzhou Lingnan Villas	Residential	76,300	982	12,900
8	Guangzhou Lingnan Wood	Residential, commercial	94,000	1,495	15,900
9	Guangzhou Yuexiu Poly Aite City	Residential	67,700	1,008	14,900
10	Guangzhou Starry Sky City	Residential	46,400	1,404	30,300
11	Guangzhou Starry Haizhu Bay	Residential, commercial	30,400	1,055	34,700
12	Guangzhou Yuexiu Greenland Haiyue	Residential	50,900	1,638	32,200
13	Guangzhou Lingnan Riverside	Commercial	1,300	34	26,200
14	Nansha Southern Le Sand	Residential, commercial	221,900	3,009	13,600
15	Conghua Glade Village	Residential	1,800	25	13,900
16	Conghua Glade Greenland	Residential	2,100	18	8,600
	Other projects	N/A	20,400	438	21,500
	Subtotal (Guangzhou)		**709,300**	**13,037**	**18,400**
17	Jiangmen Starry Regal Court	Residential	34,400	334	9,700
18	Jiangmen Xijiang Mansion	Residential	146,300	1,088	7,400
19	Jiangmen Xijiang Joy Mansion	Residential	24,200	200	8,300
20	Zhongshan Starry Winking	Residential	110,600	729	6,600
21	Zhongshan Starry Junting	Residential, commercial	52,600	410	7,800
22	Zhongshan Starry Peakfield	Residential	34,500	252	7,300
23	Zhongshan Paradiso Jadin	Residential, commercial	198,100	980	4,900

No.	Project	Type	GFA *(sq.m.)*	Value *(RMB mil)*	ASP *(RMB/sq.m.)*
24	Nanhai Starry Winking	Residential, commercial	39,300	671	17,100
25	Foshan Lingnan Junting	Residential, commercial	57,000	766	13,400
26	Foshan Paradiso Power	Residential, commercial	85,500	1,052	12,300
	Subtotal (Pearl River Delta ex. Guangzhou)		**782,500**	**6,482**	**8,300**
27	Hangzhou Starry City	Residential, commercial	136,000	941	6,900
28	Hangzhou Starry Joy City	Residential, commercial	46,300	560	12,100
29	Hangzhou Starry Upper City	Residential, parking	70,100	1,154	16,500
30	Hangzhou Victory Center	Commercial	1,400	34	24,300
31	Hangzhou Crystal City	Residential	24,800	531	21,400
32	Suzhou Paradiso Pavilion	Residential	47,700	392	8,200
33	Suzhou Starry Pavilion	Residential, parking	94,800	1,374	14,500
	Subtotal (Yangtze River Delta)		**421,100**	**4,986**	**11,800**
34	Wuhan Starry Winking	Residential, Commercial	42,000	925	22,000
35	Wuhan Starry Emperor	Residential, commercial	115,300	1,431	12,400
36	Wuhan International Financial City	Residential, commercial	58,800	1,688	28,700
	Subtotal (Central China Region)		**216,100**	**4,044**	**18,700**
37	Shenyang Starry Winking	Residential	16,400	183	11,200
38	Shenyang Starry Blue Sea	Residential, commercial	14,400	125	8,700
39	Shenyang Yuexiu Hill Lake	Residential	900	7	7,800
40	Yantai Starry Golden Sands	Residential, commercial	54,100	310	5,700
41	Yantai Starry Phoenix	Residential	700	4	5,700
42	Qingdao Starry Blue Bay	Residential, commercial	114,500	1,074	9,400
	Subtotal (Bohai Rim)		**201,000**	**1,703**	**8,500**
	Total		**2,330,000**	**30,252**	**13,000**

Recognised Sales

In 2016, the value of the recognised sales (including the sale of investment properties of RMB0.18 billion) and GFA of the recognised sales (including proceeds from sales of investment properties of approximately 6,200 sq.m.) were approximately RMB19.53 billion and 1.84 million sq.m., representing a year-on-year decrease of 8.6% and 7.5%, respectively, and the average selling price was approximately RMB10,600 per sq.m..

Recognised sales are summarized as follows:

No.	Project	Type	GFA *(sq.m.)*	Value *(RMB mil)*	ASP *(RMB/ sq.m.)*
1	Guangzhou Starry Cullinan	Residential	3,800	205	53,900
2	Guangzhou Starry Golden Sands	Residential, Parking	28,700	656	22,900
3	Guangzhou Starry Wenhua	Residential, Parking	11,700	299	25,600
4	Guangzhou Paradiso Riverside	Residential, Parking	75,200	1,056	14,000
5	Guangzhou Starry Winking	Commercial, Parking	7,700	138	17,900
6	Guangzhou Lingnan Hillside	Residential, Parking	12,800	172	13,400
7	Guangzhou Lingnan Villas	Residential, Parking	104,500	1,291	12,400
8	Nansha Southern Le Sand	Residential, Parking	221,600	2,385	10,800
9	Conghua Glade Village	Residential	2,800	36	12,900
10	Conghua Glade Greenland	Commercial, Parking	5,000	43	8,600
	Other projects	N/A	10,300	191	18,500
	Investment Properties	N/A	6,200	180	29,000
	Subtotal (Guangzhou)		**490,300**	**6,652**	**13,600**
11	Jiangmen Starry Regal Court	Residential, Parking	139,900	1,126	8,000
12	Zhongshan Starry Winking	Residential, Parking	25,500	162	6,400
13	Zhongshan Starry Junting	Residential, Parking	75,500	486	6,400
14	Zhongshan Starry Peakfield	Residential, Parking	11,400	83	7,300
15	Zhongshan Paradiso Jadin	Residential, Parking	53,700	291	5,400
16	Nanhai Starry Winking	Residential	25,600	400	15,600
17	Foshan Lingnan Junting	Residential	83,200	1,050	12,600
	Subtotal (Pearl River Delta ex. Guangzhou)		**414,800**	**3,598**	**8,700**
18	Hangzhou Starry City	Residential, Parking	161,300	1,024	6,300
19	Hangzhou Starry Joy City	Residential, Parking	127,000	1,503	11,800
20	Suzhou Paradiso Pavilion	Residential, Parking	239,300	1,907	8,000
	Subtotal (Yangtze River Delta)		**527,600**	**4,434**	**8,400**
21	Wuhan Starry Winking	Residential, Parking	118,400	2,322	19,600
22	Wuhan Starry Emperor	Residential, Parking	139,200	1,545	11,100
	Subtotal (Central China Region)		**257,600**	**3,867**	**15,000**
23	Shenyang Starry Winking	Residential	4,500	38	8,400
24	Shenyang Starry Blue Sea	Residential, Parking	18,400	98	5,300
25	Shenyang Yuexiu Hill Lake	Residential	2,100	22	10,500
26	Yantai Starry Golden Sands	Residential	87,900	478	5,400
27	Qingdao Starry Blue Bay	Residential	37,900	339	8,900
	Subtotal (Bohai Rim)		**150,800**	**975**	**6,500**
	Total		**1,841,100**	**19,526**	**10,600**

Unrecognised Sales

As of 31 December 2016, the value of the unrecognised sales amounted to approximately RMB27.62 billion, and GFA of the unrecognised sales was approximately 2.16 million sq.m.. The average selling price was approximately RMB12,800 per sq.m..

Unrecognised sales are summarized as follows:

No.	Project	Type	GFA *(sq.m.)*	Value *(RMB mil)*	ASP *(RMB /sq.m.)*
1	Guangzhou Starry Cullinan	Residential	2,200	135	61,400
2	Guangzhou Fortune Century Square	Commercial, Parking	1,300	31	23,800
3	Guangzhou Starry Golden Sands	Residential	13,800	396	28,700
4	Guangzhou Starry Wenhua	Residential	15,800	416	26,300
5	Guangzhou Paradiso Riverside	Residential	31,500	479	15,200
6	Guangzhou Starry Sky City	Residential	46,400	1,403	30,200
7	Guangzhou Starry Haizhu Bay	Residential	30,400	1,055	34,700
8	Guangzhou Yuexiu Greenland Haiyue	Residential	50,900	1,638	32,200
9	Guangzhou Lingnan Hillside	Residential	1,100	23	20,900
10	Guangzhou Lingnan Villas	Residential	11,700	189	16,200
11	Guangzhou Lingnan Wood	Residential	18,600	401	21,600
12	Guangzhou Yuexiu Poly Aite City	Residential	66,600	1,000	15,000
13	Southern Le Sand	Residential	227,000	3,296	14,500
14	Conghua Glade Greenland	Residential	2,000	17	8,500
	Other projects	N/A	18,400	603	32,800
	Subtotal (Guangzhou)		**537,700**	**11,082**	**20,600**
15	Jiangmen Starry Regal Court	Residential	11,300	111	9,800
16	Jiangmen Xijiang Mansion	Residential	146,300	1,088	7,400
17	Jiangmen Xijiang Joy Mansion	Residential	24,200	200	8,300
18	Zhongshan Starry Winking	Residential	122,200	730	6,000
19	Zhongshan Starry Peakfield	Residential	166,800	1,160	7,000
20	Zhongshan Paradiso Jadin	Residential	164,900	815	4,900
21	Nanhai Starry Winking	Residential	47,700	799	16,800
22	Foshan Lingnan Junting	Residential	87,900	790	9,000
23	Foshan Paradiso Power	Residential	139,600	1,423	10,200
	Subtotal (Pearl River Delta ex. Guangzhou)		**910,900**	**7,116**	**7,800**
24	Hangzhou Starry City	Residential	46,200	343	7,400
25	Hangzhou Starry Joy City	Residential	9,300	98	10,500
26	Hangzhou Starry Upper City	Residential	91,700	1,436	15,700
27	Hangzhou Victory Center	Commercial	4,800	143	29,800
28	Hangzhou Crystal City	Residential	24,800	531	21,400

No.	Project	Type	GFA	Value	ASP
			(sq.m.)	*(RMB mil)*	*(RMB /sq.m.)*
29	Suzhou Paradiso Pavilion	Residential	7,100	62	8,700
30	Suzhou Starry Pavilion	Residential	147,900	1,952	13,200
	Subtotal (Yangtze River Delta)		**331,800**	**4,565**	**13,800**
31	Wuhan Starry Winking	Residential	12,700	308	24,300
32	Wuhan Starry Emperor	Residential	108,000	1,379	12,800
33	Wuhan International Financial City	Residential, commercial	36,700	1,159	31,600
	Subtotal (Central China Region)		**157,400**	**2,846**	**18,100**
34	Shenyang Starry Winking	Residential	14,900	184	12,300
35	Shenyang Starry Blue Sea	Residential	5,200	95	18,300
36	Yantai Starry Golden Sands	Residential	41,500	246	5,900
37	Yantai Starry Phoenix	Residential	700	4	5,700
38	Qingdao Starry Blue Bay	Residential	163,900	1,479	9,000
	Subtotal (Bohai Rim)		**226,200**	**2,008**	**8,900**
	Total		**2,164,000**	**27,617**	**12,800**

Landbank

As at the date of this announcement, the Group has newly acquired 11 land parcels mainly located in Guangzhou, Hangzhou, Wuhan and Qingdao, with total GFA of approximately 4.21 million sq.m.. In terms of the attributable interest to the Group, the total GFA was approximately 2.04 million sq.m., and the land premium was approximately RMB10.58 billion.

As at the date of this announcement, land parcels newly acquired are summarized as follows:

No.	Project	Equity holding	Site Area	Total GFA	Attributable GFA
			(sq.m.)	*(sq.m.)*	*(sq.m.)*
1	Guangzhou Baiyun Tangcha Road Land II	15.9%	9,100	53,700	8,500
2	Nansha Phase 10 Land	95.0%	341,500	941,700	894,600
3	Nansha Tantou Land	6.8%	65,800	270,300	18,400
4	Hangzhou Crystal City	28.6%	34,200	125,200	35,800
5	Hangzhou Jianggan Niutian Land	95.0%	23,600	76,900	73,100
6	Hangzhou Genbei New Town East Land	32.0%	108,400	333,300	106,700

No.	Project	Equity holding	Site Area *(sq.m.)*	Total GFA *(sq.m.)*	Attributable GFA *(sq.m.)*
7	Suzhou Taicang Xiangdong Island Land	47.5%	648,000	936,000	444,600
8	Wuhan Wuchang Zhongbei Road Land	51.4%	10,900	55,800	28,700
9	Wuhan Yangsi Port Land	12.3%	182,900	1,107,800	136,300
10	Jiangmen Starry Regal Court	95.4%	80,100	170,800	162,900
11	Qingdao Yuexiu Infinite Mansion	95.1%	60,600	138,100	131,300
	Total		**1,565,100**	**4,209,600**	**2,040,900**

As of the date of this announcement, the landbank of the Group reached approximately 14.62 million sq.m. with a total of 39 projects in 12 cities in China and the regional layout continued to improve. In terms of the attributable interest to the Group, the total landbank was approximately 9.66 million sq.m.. In terms of regional composition, Guangzhou accounted for approximately 40.5% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 12.1%, Yangtze River Delta accounted for approximately 21.4%, Central China Region accounted for approximately 16.2%, Bohai Rim accounted for approximately 8.6%, Hainan accounted for approximately 0.7% and Hong Kong accounted for approximately 0.5%.

Landbank is summarized as follows:

No.	Project	Landbank *GFA (sq.m.)*	PUD *GFA (sq.m.)*	PFD *GFA (sq.m.)*
1	Guangzhou Asia Pacific Century Plaza	216,300	216,300	—
2	Guangzhou Starry Golden Sands	3,000	3,000	—
3	Guangzhou Starry Sky City	688,200	259,500	428,700
4	Guangzhou Yuexiu Starry Haizhu Bay	776,800	395,800	381,000
5	Guangzhou Greenland Yuexiu Haiyue	237,900	237,900	—
6	Nansha Southern Le Sand	1,636,000	1,040,300	595,700
7	Nansha Phase 10 Land	941,700	251,300	690,400
8	Nansha Tantou Land	270,300	—	270,300
9	Guangzhou Haizhu Nanzhou Road Land	152,600	—	152,600

No.	Project	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
10	Guangzhou Yuexiu Poly Aite City	639,900	443,000	196,900
11	Guangzhou Poly Purple Cloud (formerly known as Guangzhou Baiyun Tangcha Road Land)	298,000	150,400	147,600
	Other projects	63,600	63,400	200
	Subtotal (Guangzhou)	**5,924,300**	**3,060,900**	**2,863,400**
12	Jiangmen Starry Regal Court	228,300	228,300	—
13	Jiangmen Xijiang Mansion	228,800	228,800	—
14	Jiangmen Xijiang Joy Mansion	239,900	239,900	—
15	Zhongshan Starry Winking	152,100	152,100	—
16	Zhongshan Starry Peakfield	350,400	194,000	156,400
17	Zhongshan Paradiso Jadin	237,300	237,300	—
18	Foshan Paradiso Power	226,000	226,000	—
19	Foshan Lingnan Junting	102,600	86,200	16,400
	Subtotal (Pearl River Delta ex. Guangzhou)	**1,765,400**	**1,592,600**	**172,800**
20	Hangzhou Starry City	1,401,100	321,800	1,079,300
21	Hangzhou Victory Center	71,400	71,400	—
22	Hangzhou Crystal City	125,200	125,200	—
23	Hangzhou Jianggan Niutian Land	76,900	76,900	—
24	Hangzhou Genbei New Town East Land	333,300	—	333,300
25	Suzhou Starry Pavilion	180,200	180,200	—
26	Suzhou Taicang Xiangdong Island Land	936,000	—	936,000
	Subtotal (Yangtze River Delta)	**3,124,100**	**775,500**	**2,348,600**
27	Wuhan Starry Winking	129,600	129,600	—
28	Wuhan Starry Emperor	190,000	190,000	—
29	Wuhan International Financial City	889,800	889,800	—
30	Wuhan Wuchang Zhongbei Road Land	55,800	—	55,800
31	Wuhan Yangsi Port Land	1,107,800	—	1,107,800
	Subtotal (Central China Region)	**2,373,000**	**1,209,400**	**1,163,600**
32	Shenyang Yuexiu Hill Lake	251,800	—	251,800
33	Shenyang Starry Winking	394,300	40,800	353,500
34	Shenyang Starry Blue Sea	9,800	9,800	—
35	Yantai Starry Golden Sands	215,000	215,000	—
36	Qingdao Starry Blue Bay	248,200	248,200	—
37	Qingdao Yuexiu Infinite Mansion	138,100	138,100	—

No.	Project	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
	Subtotal (Bohai Rim)	**1,257,200**	**651,900**	**605,300**
38	Hainan Simapo Island Land	100,400	6,000	94,400
	Subtotal (China)	**14,882,300**	**7,296,300**	**7,586,000**
39	Hong Kong Yau Tong Project	73,400	—	73,400
	Subtotal (Hong Kong)	**73,400**	**—**	**73,400**
	Total	**14,617,800**	**7,296,300**	**7,321,500**

Construction Progress

In the development of residential properties, the Group follows market cycle and speeds up turnover to enhance the development efficiency. Project development was progressing as scheduled. To accelerate sales and satisfy the new strong demand of the market, new commencement of construction, completion and delivery were in line with the Group's schedule.

New commencement of construction, completion and delivery are summarized as follows:

Construction progress	**Actual GFA In 2016** *(sq.m.)*	**Planned GFA for 2017** *(sq.m.)*
New commencement of construction	3,033,700	2,420,400
Completion	3,263,700	2,367,000
Delivery	1,841,100	1,914,100

Investment Properties

As at 31 December 2016, the Group owned investment properties under lease of approximately 0.88 million sq.m. in total, of which offices, commercial properties, car parks and others accounted for approximately 33.1%, 50.0% and 16.9%, respectively. The Group recorded the rental revenue of approximately RMB0.52 billion in 2016, representing a year-on-year increase of 85.2%, which was mainly due to the increase in rental revenue of Yuexiu Financial Tower.

In 2016, the Group recorded net fair value losses on revaluation of investment properties of approximately RMB0.31 billion. During the year, the fair value gain on revaluation of Yuexiu Financial Tower was approximately RMB0.27 billion. Due to the lower-than-expected operation performance, the fair value losses on revaluation of Guangzhou Fortune World Plaza and Foshan Starry Winking (佛山星匯雲錦) for the year were approximately RMB0.38 billion and RMB0.22 billion respectively.

Other Gains, net

In 2016, the Group's net other gains was approximately RMB1.06 billion, representing a year-on-year increase of 828.9%. The increase resulted from the gain on disposal of a hotel of approximately RMB0.23 billion, profits before tax of approximately RMB0.37 billion from disposal of 51% equity interests held in an indirect wholly-owned subsidiary and the fair value gain of approximately RMB0.36 billion from re-measurement of the remaining 49% equity interests held by the Group in accordance with relevant accounting principles record by the Group in 2016.

Selling and Marketing Costs

In 2016, the Group's selling and marketing costs amounted to approximately RMB0.61 billion, representing a year-on-year decreasing 15.1%. The Group has all along endeavored to execute effective sales plans and kept control on its selling and marketing costs to an appropriate level. The selling and marketing costs accounted for 2.0% of the contracted sales for the year, reduced by 0.9 percentage point as compared to 2.9% of the previous year.

Administrative Expenses

Administrative expenses of the Group amounted to approximately RMB0.88 billion, representing a year-on-year decreased of 0.8%. The Group continued to strengthen controls over expenses and strictly follow the annual expenses budget. Administrative expenses accounted for 2.9% of the contracted sales of this year, reduced by 0.7 percentage point as compared to 3.6% of the previous year.

Finance Costs

In 2016, the interest expenses of the Group amounted to approximately RMB2.06 billion in aggregate. The interest expenses of bank borrowings and bonds amounted to RMB1.78 billion, decreased by RMB0.05 billion as compared to 2015 due to the decrease of the average borrowing interest rate. In addition, the interest expenses of amount due to an intermediate holding company and a non-controlling shareholder of a subsidiary amounted to approximately RMB0.26 billion in total, representing an increase of RMB0.26 billion as compared to 2015. The average effective borrowing interest rate for the year decreased to 4.64% per annum from 4.95% per annum for 2015.

RMB depreciated from the second half of 2015 and such depreciation trend continued during 2016. The exchange rate of RMB against USD dropped by 6.8% as compared to that at the beginning of 2016. The Group's revenue was mainly derived in RMB. During the year, the foreign exchange loss with respect to the Group's USD and HKD borrowings amounted to approximately RMB0.18 billion and the foreign exchange gain with respect to the Group's bank deposit in foreign currencies amounted to approximately RMB0.04 billion. The net foreign exchange loss amounted to approximately RMB0.14 billion, representing a decrease of 86.4% from RMB1.02 billion for 2015.

The interest expenses and net foreign exchange loss during the year amounted to approximately RMB2.20 billion in total. According to the relevant requirements of the Hong Kong Accounting Standards, the capitalised interest expenses for the year amounted to approximately RMB1.25 billion and the capitalised foreign exchange loss amounted to approximately RMB0.18 billion, totaling approximately RMB1.43 billion. Finance costs (excluding loss on extinguishment of financial liabilities) recorded in the income statement were approximately RMB0.77 billion.

Moreover, the Group actively reduced the foreign exchange exposure and the percentage of foreign currency borrowings. The amortized expenses on such early redemption of part of borrowings denominated in HKD and USD amounted to RMB0.13 billion during the year.

The finance costs during the year were approximately RMB0.90 billion in total, representing a year-on-year decrease of 20.0%.

Share of Profit from Associated Entities

During the year, the overall net contribution from associated entities attributable to the Group increased by 19.2% to approximately RMB0.39 billion as compared to 2015. This mainly consisted of the profit contribution and deferred fund unit gains recognised during the year from the Yuexiu Real Estate Investment Trust ("Yuexiu REIT").

The total amount of distribution by Yuexiu REIT for 2016 increased by 17.1% to approximately RMB0.82 billion as compared to the previous year. As such, the Group's corresponding share of cash distribution amounted to approximately RMB0.32 billion.

Basic Earnings per Share

For the year ended 31 December 2016, basic earnings per share (calculated by the weighted average number of ordinary shares in issue) attributable to the equity holders of the Company were RMB0.1242 (2015: RMB0.0817).

Final Dividend

The Board has recommended the payment of a final dividend for 2016 of HKD0.032 per share which is equivalent to RMB0.028 per share (2015: HKD0.019 per share which was equivalent to RMB0.016 per share) payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 16 June 2017. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 6 July 2017. Together with the interim dividend of HKD0.033 per share which was equivalent to approximately RMB0.028 per share, total dividends for the year ended 31 December 2016 will amount to HKD0.065 per share which is equivalent to approximately RMB0.056 per share.

Dividends payable to shareholders will be paid in Hong Kong dollars. The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HKD to RMB announced by the People's Bank of China in the five business days preceding the date of dividend declaration.

Liquidity and Financial Resources

Cash receipts from operating activities and committed banking facilities are the main liquidity sources to the Group. The Group has always adhered to prudent financial management principles, emphasized on funding management and risk control, established an ongoing monitoring system to tackle the rapid market changes, ensured healthy and adequate liquidity and secured the business development. While the Group continues to maintain a good relationship with commercial banks in Mainland China and Hong Kong, it also adheres to explore more funding channels, optimizes the capital structure and lowers the funding costs, enhances the ability to protect its resources, and enhances its capacity to overcome risks.

For the year ended 31 December 2016, the bank financing of the Group was approximately RMB27.31 billion, of which onshore bank financing amounted to approximately RMB20.64 billion and offshore bank financing amounted to approximately RMB6.67 billion. As at 31 December 2016, the total borrowings amounted to approximately RMB40.29 billion (2015: RMB38.16 billion), cash and cash equivalents and charged bank deposits amounted to approximately RMB22.02 billion and the net gearing ratio was 53.1%. Borrowings with maturity within one year accounted for approximately 17% of the borrowings (2015: 14%), and fixed notes accounted for approximately 34% of the total borrowings (2015: 19%). Due to the decrease of the interest rate of onshore borrowing, for the year, the Group's average borrowings cost for the period was 4.64% per annum, decreased by 0.31 percentage points as compared to 4.95% per annum for the year of 2015.

As at 31 December 2016, among the Group's total debts, approximately 63% was RMB denominated bank borrowings (2015: 47%), 1% was Hong Kong dollars denominated bank borrowings (2015: 34%), 14% was Hong Kong and US dollars denominated medium to long term notes (2015: 19%), 20% was RMB denominated medium to long term notes (2015: nil) and 2% was RMB denominated borrowings from an intermediate holding company. (2015: nil).

Working Capital

As at 31 December 2016, the Group's working capital (current assets less current liabilities) amounted to approximately RMB39.40 billion (2015: approximately RMB40.20 billion). The Group's current ratio (current assets over current liabilities) was 1.7 times (2015: 1.9 times). Cash and cash equivalents amounted to approximately RMB17.69 billion (2015: RMB9.55 billion). Charged bank deposits amounted to approximately RMB4.33 billion (2015: RMB5.62 billion). Undrawn committed bank facilities amounted to approximately RMB8.59 billion.

Capital and Financial Structure Analysis

The Group's debts are summarized as follow:

	2016	**2015**
	RMB'000	*RMB'000*
Bank borrowings and notes		
Denominated in RMB	33,534,214	17,775,292
Denominated in HKD	2,413,163	13,324,241
Denominated in USD	3,444,222	7,065,162
Total bank borrowings and bonds	39,391,599	38,164,695
Borrowings from an intermediate holding company	901,359	—
Finance lease obligations	264	183
Overdrafts	53	63
Total debts	40,293,275	38,164,941

	2016	2015
	RMB'000	*RMB'000*
Ageing analysis:		
Within one year	6,778,340	5,511,795
In the second year	3,964,758	14,689,458
In the third to fifth year	17,274,860	11,079,091
Beyond five years	12,275,317	6,884,597
Total borrowings	40,293,275	38,164,941
Less: Cash and cash equivalents	(17,691,428)	(9,545,548)
Net borrowings	22,601,847	28,619,393
Total equity	34,385,877	31,466,204
Total capitalization	56,987,724	60,085,597
Gearing ratio	39.7%	47.6%

INTEREST RATE EXPOSURE

The Group's major interest rate exposure is derived from loans and deposits denominated in Renminbi, Hong Kong dollars and US dollars. As of 31 December 2016, among the total borrowings of the Group, approximately 23% was floating rate bank loans denominated in Renminbi, approximately 1% was floating rate bank loans denominated in Hong Kong dollars, approximately 40% was fixed rate bank loans denominated in Renminbi, approximately 20% was medium to long term bonds denominated in Renminbi, approximately 14% was medium to long term fixed rate notes denominated in US dollars/Hong Kong dollars, and approximately 2% was fixed rate borrowings from an intermediate holding company denominated in Renminbi. Having considered the currencies and structural composition of loans, the Group did not enter into any arrangement of interest rate hedging instruments during the reporting year. The average borrowing interest rate decreased from 4.95% in 2015 to 4.64% in 2016. In the second half of 2016, Guangzhou City Construction & Development Co. Ltd., a subsidiary of the Group, issued corporate bonds in an aggregate amount of RMB8 billion to qualified investors in China by public offering for the first time in three tranches with a weighted average coupon rate of 2.9963%, which was favourable when compared with the relevant costs of similar bond issuance in the market during the same period. The issuance provided the Group with fixed rate funds at a low cost and reduced the overall financing cost of the Group.

With respect to the Renminbi loan interest rates, the People's Bank of China ("PBOC") has cut interest rates and reduced reserve requirement ratios (RRR) continually since November 2014. The one-year benchmark interest rate went down from 5.6% to the current level of 4.35%. It is generally expected in the market that the interest rate of Renminbi will continue to remain at a relatively low level in 2017.

With respect to the loan interest rates of US dollars and Hong Kong dollars, it is expected in the market that the U.S. economic recovery will accelerate. The US Federal Reserve raised interest rate again in December 2016 after the interest rate hike in December 2015. It is expected in the market that in 2017 the US Federal Reserve will raise interest rate two to three times at the pace of approximately 0.25% each time. It is estimated that the loan interest rates of Hong Kong dollars will follow the change of US dollars interest rates with slight delay in terms of timing.

At present, the global economy and the financial environment are unstable and the economy growth of China has slowed down. The Group anticipates that Renminbi loan interest rates will remain at a low level in 2017. On the other hand, it is expected that the US dollar loan interest rates will rise with improvements in employment and annual average consumption as well as inflation reaching a given level in the United States. It is generally estimated that the interest rates spread between onshore and offshore borrowings would further narrow down.

Currently, the proportion of the loans denominated in Renminbi and foreign currencies of the Group is 85:15. It is estimated that the decline of Renminbi interest rates and the increase in US dollars interest rates will not have any material adverse effects on the overall financial position of the Group. As a result, the Group has made no hedging against exposure to interest rate risk. However, the Group will continue to closely monitor the changes of onshore and offshore interest rates and adopt appropriate hedging to effectively manage its interest rate risk exposure in a timely manner.

FOREIGN EXCHANGE EXPOSURE

During the reporting year, the global economy was unstable. The economic growth of China slowed down. The United Kingdom voted to leave the European Union. The financial market became volatile. After the US Election, it was expected in the market that the US economy would get stronger and the exchange rate of RMB against United States dollars would show a downward trend. It was generally expected in the market that Renminbi would depreciate further against the US dollar during the year.

Since the main business operations of the Group are conducted in Mainland China, its income is primarily in Renminbi. The Group has foreign currency denominated financing and is thus exposed to foreign exchange risk. Since 2016, the Group has actively adopted various measures to narrow down the foreign exchange exposure and reduce risk. As at 31 December 2016, approximately 14.5% (53.4% at the beginning of the year) of the total borrowings of the Group were borrowings denominated in foreign currencies, among which approximately HKD0.42 billion (equivalent to approximately RMB0.38 billion) were bank borrowings denominated in Hong Kong dollars, approximately USD0.50 billion (equivalent to approximately RMB3.44 billion) were medium to long term notes denominated in US dollars, and approximately HKD2.30 billion (equivalent to approximately RMB2.03 billion) were medium to long term notes denominated in Hong Kong dollars. As at 31 December 2016, the middle rate of onshore Renminbi against Hong Kong dollars dropped by

6.8% as compared to the exchange rate as at 31 December 2015 and a net exchange loss of RMB0.14 billion was recorded for this period, out of which approximately RMB0.18 billion of exchange loss was capitalised and RMB0.04 billion was treated as the net exchange gain in the consolidated income statement.

In 2016, the Group arranged for Renminbi funds to refinance foreign currency denominated borrowings (equivalent to HKD17.8 billion). The foreign currency denominated borrowings decreased by 71%. A match in essence between remaining foreign currency denominated loans and the existing offshore assets has been achieved and thus the impact of foreign exchange exposure on consolidated income statement has been basically eliminated.

The Group will continue to strengthen its research and tracking on the foreign exchange market, strike a balance between interest rate cost and foreign exchange risk, adjust and optimize the structure of onshore and offshore debts and control the foreign exchange exposure. The Group will consider using suitable financial instruments to manage foreign exchange exposure when costs are reasonable.

Commitments for Property, Plant and Equipment

As at 31 December 2016, the Group's capital commitments in respect of purchases of property, plant and equipment amounted to approximately RMB1.85 billion (2015: RMB2.02 billion).

Contingent Liabilities

The Group arranged bank loans for certain purchasers of the Group's properties for sale in Mainland China and provided transitional guarantees in respect of the performance of loan repayment liabilities. Pursuant to the terms of the guarantee contracts, upon default in repayments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest in performing its liabilities under the guarantee. Notwithstanding that, the Group owns the legal title of such pledged properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As of 31 December 2016, the total contingent liabilities relating to these guarantees amounted to approximately RMB11.30 billion (2015: RMB11.41 billion).

As at 31 December 2016, certain subsidiaries of the Group provided guarantee of approximately RMB0.25 billion (2015: Nil) in respect of loans borrowed by joint ventures of the Group. And certain subsidiaries of the Group jointly and severally provided guarantee of approximately RMB2.36 billion (2015: RMB2.36 billion) in respect of the syndicated loan borrowed by Yuexiu REIT with an effective period expiring on the date two years after the full repayment of the syndicated loan. The syndicated loan was fully repaid in 2016.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had approximately 6,550 employees (31 December 2015: 7,080 employees). The Group offers its employees reasonable remuneration in accordance with industry practice. Salary increment and promotion of employees are based on performance and achievements. In the meantime, the Group provides employees with other benefits, such as mandatory provident funds, medical insurance, educational allowances and professional training.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with the code provisions as set out in the Corporate Governance Code throughout the year ended 31 December 2016.

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the general meeting of the Company in accordance with the Company's Articles of Association. All the non-executive directors of the Company had retired by rotation during the past 3 years. They have been re-elected.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's unaudited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 1 June 2017 to Tuesday, 6 June 2017, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 6 June 2017, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 31 May 2017.

In addition, the register of members of the Company will be closed from Wednesday, 14 June 2017 to Friday, 16 June 2017, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Tuesday, 13 June 2017.

By order of the Board
Yuexiu Property Company Limited
ZHANG Zhaoxing
Chairman

Hong Kong, 23 February 2017

As at the date of this announcement, the Board comprises:

Executive Directors:	*ZHANG Zhaoxing (Chairman), ZHU Chunxiu, LIN Zhaoyuan, LI Feng and OU Junming*
Independent Non-executive Directors:	*YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose*