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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, 2017**

RESULTS

The directors (the “Directors”) of Poly Property Group Co., Limited (the “Company”) presented the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2017, together with the independent auditor’s report issued by BDO Limited, as follows:

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POLY PROPERTY GROUP CO., LIMITED

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Poly Property Group Co., Limited and its subsidiaries (together “the Group”) set out on pages 9 to 120, which comprise the consolidated statement of financial position as at 31st December, 2017, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(i) Revenue recognition from sales of properties

The Group recognised revenue arising from sales of properties of HK\$29,862,706,000 for the year ended 31st December, 2017.

Revenue is one of the key performance indicators of the Group which gives rise to an inherent risk that revenue could be recorded in the incorrect period or subject to manipulation.

Sales of properties are recognised as revenue at the point in time when substantial risks and rewards of ownership of the property are passed to the buyer. Determination of this point in time is dependent on the contractual arrangements for a sale, the laws in the relevant jurisdiction and May, require management judgement.

Refer to note 8 to the consolidated financial statements and the accounting policies on pages 42.

Our response:

Our procedures involved sampling revenue transactions for the sale of properties and specifically included:

- Obtaining evidence regarding the transfer of substantial risks and rewards of ownership (including, where relevant, completion certificates, occupation permits and acceptance letters);
- Reading the signed sales and purchase agreements to identify contractual arrangements;
- Reconciling the amounts from the ledger and agreeing the corresponding contracted terms to the signed sales and purchase agreements; and
- agreeing the deposits, final payments or mortgage receipts to bank statements.

(ii) Valuation of investment properties

Management has estimated the fair value of the Group's investment properties to be HK\$10,904,879,000 at 31st December, 2017, with a revaluation gain for the year ended 31st December, 2017 recorded in the consolidated statement of profit or loss of HK\$66,329,000.

Estimations of fair value are dependent on certain key assumptions and unobservable inputs that require significant management judgement, including capitalisation rates and market transaction prices for comparable properties.

Favourable or unfavourable changes to these assumptions would result in changes in fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the consolidated statement of profit or loss. As a result, the financial performance can be greatly affected by the assumptions and unobservable inputs.

Refer to note 16 to the consolidated financial statements and the accounting policies on pages 32.

Our response:

Our procedures in relation to management's valuation of investment properties included:

- Evaluating the competence, capabilities and objectivity of independent external valuers;
- Obtaining external valuation reports and meeting with external valuers to understand the results of their work. We assessed and challenged the valuation methodologies used and the appropriateness of the significant assumptions, including market transaction prices for comparable properties and capitalisation rates. We benchmarked these assumptions to relevant market evidence including specific property sales and other external data; and
- Checking, on a sample basis, the accuracy and relevance of the input data used as supporting evidence.

The significant inputs have been appropriately disclosed in note 16.

(iii) Impairment of properties under development and held for sale

The net carrying amount of the Group's properties under development and held for sale as at 31st December, 2017 was HK\$75,239,834,000. No impairment loss was recognised for the year ended 31st December, 2017.

Estimations of net realisable value of the Group's properties under development and held for sale are dependent on certain key assumptions that require significant management judgement, including current schedules of the projects, construction progress by contractors, estimated costs to completion, intended use and management's expectation on future property market.

Favourable or unfavourable changes to these assumptions would result in change in net realisable value of the Group's properties under development and held for sale and the corresponding adjustments to the impairment recognised in the consolidated statement of profit or loss. As a result, the financial performance can be greatly affected by the assumptions.

Refer to note 24 to the consolidated financial statements and the accounting policies on pages 33 and 34.

Our response:

Our procedures in relation to management's assessments of the net realisable value of the properties under developments and held for sales included:

- Assessing the valuation methodologies used;
- Challenging the reasonableness of key assumptions, specifically including future market value, estimated costs to completion, intended use and current market environment, based on our knowledge of the Group's business and property industry; and
- Reconciling, on a sample basis, the input data used as supporting evidence, such as approved budgets of the project and most recent transaction prices of comparable properties in the market, and considering their reasonableness.

We also assessed the recoverable amount of properties we deemed at high risk of impairment by reviewing independent publicly available information, such as property industry reports for potential impairment triggers. Where the market environment or estimated costs to completion changed significantly, we challenged management as to whether this indicated impairment had occurred.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may, involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may, cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may, cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that May, reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Amy Yau Shuk Yuen
Practising Certificate No. P06095
Hong Kong
21st March, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2017

		2017	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	8	31,703,042	30,580,326
Cost of sales		<u>(25,162,217)</u>	<u>(25,582,484)</u>
Gross profit		6,540,825	4,997,842
Increase in fair value of investment properties	16	66,329	116
Other gains, net	9	994,129	157,148
Selling expenses		(1,009,851)	(688,183)
Administrative expenses		(1,405,405)	(1,404,984)
Gain on disposal of interest in a subsidiary	53	—	644,158
Gain on step-up acquisition of a subsidiary	52	848,352	—
Impairment loss on properties under development and held for sale		—	(86,207)
Other operating expenses		(371,317)	(430,176)
Finance costs	10	(961,878)	(910,434)
Share of results of associates		(10,083)	(15,530)
Share of results of joint ventures		<u>198,088</u>	<u>(30,529)</u>
Profit before income tax expense	13	4,889,189	2,233,221
Income tax expense	14	<u>(2,322,549)</u>	<u>(2,012,049)</u>
Profit for the year		<u><u>2,566,640</u></u>	<u><u>221,172</u></u>
Attributable to:			
Owners of the Company		2,462,061	80,745
Holders of perpetual capital instruments	39	—	72,325
Non-controlling interests		<u>104,579</u>	<u>68,102</u>
		<u><u>2,566,640</u></u>	<u><u>221,172</u></u>
Earnings per share (<i>expressed in HK cents</i>)	15		
— Basic		<u>67.24</u>	<u>2.21</u>
— Diluted		<u>67.24</u>	<u>2.21</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2017

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Profit for the year		<u>2,566,640</u>	<u>221,172</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		1,354,507	(1,285,505)
Change in fair value of available-for-sale investments		<u>14,895</u>	<u>(7,289)</u>
		1,369,402	(1,292,794)
<i>Items that will not be reclassified to profit or loss:</i>			
Surplus (deficit) arising on revaluation of properties		<u>44,548</u>	<u>(71,323)</u>
Other comprehensive income before tax effect		1,413,950	(1,364,117)
Deferred tax liability arising on revaluation of properties		<u>(11,137)</u>	<u>17,831</u>
Other comprehensive income for the year, net of tax		<u>1,402,813</u>	<u>(1,346,286)</u>
Total comprehensive income for the year		<u>3,969,453</u>	<u>(1,125,114)</u>
Attributable to:			
Owners of the Company		3,530,535	(863,300)
Holders of perpetual capital instruments		—	1,741
Non-controlling interests		<u>438,918</u>	<u>(263,555)</u>
		<u>3,969,453</u>	<u>(1,125,114)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Investment properties	16	10,904,879	10,406,785
Property, plant and equipment	17	1,890,842	2,016,012
Prepaid lease payments			
— non-current portion	18	325,385	316,243
Goodwill	19	—	—
Interests in associates	20	298,155	246,317
Interests in joint ventures	21	3,956,952	2,309,944
Available-for-sale investments	28	325,839	310,877
Loan receivables	27(a)	112,583	—
Deposits paid for acquisition of land use rights	22	1,643,905	1,551,551
Deposits paid for acquisition of subsidiaries	23	238,095	2,471,910
Deferred tax assets	41	319,150	303,786
Total non-current assets		20,015,785	19,933,425
Current assets			
Properties under development	24	53,631,353	52,859,911
Properties held for sale	24	21,608,481	20,904,988
Other inventories	25	54,057	137,808
Trade and other receivables	26	4,776,797	4,677,407
Prepaid lease payments			
— current portion	18	10,175	10,397
Short-term loan receivables	27(b)	—	—
Amounts due from associates	20	757,418	37,078
Amounts due from joint ventures	21	4,141,267	2,938,059
Amounts due from non-controlling shareholders of subsidiaries	32	939,600	542,767
Taxation recoverable		1,592,664	1,664,408
Pledged bank deposits	33(a)	329,237	785,305
Bank balances, deposits and cash	33(a)	20,921,650	17,581,484
Total current assets		108,762,699	102,139,612

		2017	2016
	Notes	HK\$'000	HK\$'000
Current liabilities			
Trade and other payables	34	15,552,504	13,953,062
Pre-sale deposits		25,906,757	25,723,676
Property rental deposits		126,151	126,120
Amounts due to joint ventures	21	2,258,285	672,749
Amount due to the ultimate holding company	29	411,592	388,469
Amount due to an intermediate holding company	30	21,034	509,304
Amounts due to fellow subsidiaries	31	587,869	825,110
Amounts due to non-controlling shareholders of subsidiaries	32	2,529,004	2,161,076
Taxation payable		2,009,346	1,543,986
Notes payable	36	3,900,000	—
Bank and other borrowings			
— due within one year	35	15,835,437	13,398,644
Total current liabilities		69,137,979	59,302,196
Net current assets		39,624,720	42,837,416
Total assets less current liabilities		59,640,505	62,770,841
Capital and reserves attributable to owners of the Company			
Share capital	37	17,685,677	17,685,677
Reserves		10,610,687	7,011,038
Equity attributable to owners of the Company		28,296,364	24,696,715
Perpetual capital instruments	39	—	—
Non-controlling interests		2,520,217	2,285,344
Total equity		30,816,581	26,982,059

		2017	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Bank and other borrowings			
— due after one year	35	27,089,799	30,325,635
Notes payable	36	—	3,900,000
Loan from a fellow subsidiary	40	214,286	202,247
Deferred tax liabilities	41	1,519,839	1,360,900
		<u>28,823,924</u>	<u>35,788,782</u>
Total non-current liabilities		59,640,505	62,770,841

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2017

Attributable to owners of the Company													
	Share capital	Hotel properties revaluation reserve	Translation reserve	PRC statutory reserves (i)	Investment revaluation reserve	Other capital reserve (ii)	Asset revaluation reserve	Other reserve (iii)	Accumulated profits	Total	Perpetual capital instruments	Non-controlling interests	Total
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January, 2016	17,685,677	144,873	557,656	1,333,505	(36,360)	306,899	22,054	(285,195)	5,830,906	25,560,015	1,227,472	2,638,461	29,425,948
Total comprehensive income for the year	—	(41,068)	(895,688)	—	(7,289)	—	—	—	80,745	(863,300)	1,741	(263,555)	(1,125,114)
Transfer	—	—	—	4,164	—	—	—	—	(4,164)	—	—	—	—
Dividends paid to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(169,011)	(169,011)
Capital contribution by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	72,942	72,942
Acquisition of a subsidiary	52	—	—	—	—	—	—	—	—	—	—	6,507	6,507
Distribution to holders of perpetual capital instruments	39	—	—	—	—	—	—	—	—	—	(105,617)	—	(105,617)
Redemption of perpetual capital instruments	39	—	—	—	—	—	—	—	—	—	(1,123,596)	—	(1,123,596)
Balance at 31st December, 2016	<u>17,685,677</u>	<u>103,805</u>	<u>(338,032)</u>	<u>1,337,669</u>	<u>(43,649)</u>	<u>306,899</u>	<u>22,054</u>	<u>(285,195)</u>	<u>5,907,487</u>	<u>24,696,715</u>	<u>—</u>	<u>2,285,344</u>	<u>26,982,059</u>

Attributable to owners of the Company													
	Hotel properties			PRC	Investment	Other	Asset				Perpetual	Non-	
	Share capital	revaluation reserve	Translation reserve	statutory reserves	revaluation reserve	capital reserve	revaluation reserve	Other reserve	Accumulated profits	Total	capital instruments	controlling interests	Total
				(i)		(ii)		(iii)					
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January, 2017	17,685,677	103,805	(338,032)	1,337,669	(43,649)	306,899	22,054	(285,195)	5,907,487	24,696,715	—	2,285,344	26,982,059
Total comprehensive income for the year	—	24,080	1,029,499	—	14,895	—	—	—	2,462,061	3,530,535	—	438,918	3,969,453
Transfer	—	—	—	55,676	—	—	—	—	(55,676)	—	—	—	—
Dividends paid to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(59,814)	(59,814)
Capital contribution by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	7,935	7,935
Acquisition of subsidiaries	52	—	—	—	—	—	—	—	—	—	—	37,012	37,012
Partial disposal of interest in a subsidiary without loss of control	—	—	—	—	—	—	—	179	—	179	—	(179)	—
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	68,935	—	68,935	—	(188,999)	(120,064)
Balance at 31st December, 2017	<u>17,685,677</u>	<u>127,885</u>	<u>691,467</u>	<u>1,393,345</u>	<u>(28,754)</u>	<u>306,899</u>	<u>22,054</u>	<u>(216,081)</u>	<u>8,313,872</u>	<u>28,296,364</u>	<u>—</u>	<u>2,520,217</u>	<u>30,816,581</u>

Notes:

- (i) Statutory reserves are reserves required by the relevant laws in the People's Republic of China (the "PRC") and are applicable to the Group's PRC subsidiaries.
- (ii) Included in other capital reserve at 31st December, 2017 is deemed capital contribution arising on acquisition of subsidiaries of HK\$244,221,000 (2016: HK\$244,221,000) and deemed capital contribution arising from interest-free loans provided by a fellow subsidiary of HK\$62,678,000 (2016: HK\$62,678,000).
- (iii) Other reserve represents the difference between the fair value of consideration paid and payable and the carrying amount of net assets attributable to the changes in ownership in the subsidiaries being acquired or disposed from non-controlling interests without change of control.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Cash flows from operating activities			
Profit before income tax expense		4,889,189	2,233,221
Adjustments for:			
Bank interest income	9	(139,128)	(130,310)
Interest income from loans to joint ventures	9	(186,774)	(176,721)
Interest income from loan to an associate	9	(6,844)	(8,299)
Interest income from non-controlling interest	9	(17,170)	—
Dividend income	9	(6,323)	(57,512)
Amortisation of prepaid lease payments		10,160	10,636
Depreciation of property, plant and equipment	17	124,950	127,905
Finance costs	10	961,878	910,434
Impairment loss on goodwill	19	—	281,331
Impairment loss on other receivables		—	86,458
Impairment loss on properties under development and held for sale	24	—	86,207
Impairment loss on property, plant and equipment	17	—	783
Increase in fair value of investment properties	16	(66,329)	(116)
(Gain)/loss on disposal of investment properties		(5,326)	10,245
Loss on disposal of property, plant and equipment		10,343	4,333
Gain on disposal of interest in a subsidiary	53	—	(644,158)
Loss on dissolution of subsidiaries		—	110
Gain on step-up acquisition of a subsidiary	52	(848,352)	—
Gain on re-measurement of an associate to acquisition date fair value in step acquisition		—	(21,256)
Reversal of impairment loss previously recognised in respect of other receivables	9	—	(3,250)
Share of results of associates		10,083	15,530
Share of results of joint ventures		(198,088)	30,529

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Operating profit before working capital changes		4,532,269	2,756,100
Increase in deposits paid for acquisition of land use rights	22	—	(1,424,584)
Decrease in properties under development and held for sale		7,207,901	11,513,332
Decrease in other inventories		91,954	795
Decrease/(increase) in trade and other receivables		308,016	(1,094,117)
Increase/(decrease) in trade and other payables		1,002,684	(2,599,212)
(Decrease)/increase in pre-sale deposits		(1,348,090)	1,570,772
(Decrease)/increase in property rental deposits		(6,979)	13,810
Cash generated from operations		11,787,755	10,736,896
PRC income taxes paid		(1,729,836)	(2,156,354)
Interests paid		(2,675,004)	(3,498,183)
Net cash generated from operating activities		7,382,915	5,082,359
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(32,309)	(39,261)
Purchase of investment properties	16	(2,018)	(737)
Investments in joint ventures		(63,823)	(712,689)
Acquisition of subsidiaries, net of cash acquired	52	(2,015,407)	374,523
Acquisition of additional interests in a subsidiary		(120,064)	—
Acquisition of associates	20	(47,618)	—
Net cash inflows arising on disposal of a subsidiary	53	—	11,411
Net cash outflows arising on dissolution of subsidiaries		—	(110)
Increase in loan receivables		(112,583)	—
Decrease/(increase) in pledged bank deposits		456,068	(344,868)
Bank interest income received		139,128	130,310
Interest income received from loans to joint ventures		186,774	176,721
Interest income received from loan to an associate		6,844	8,299
Interest income received from non-controlling shareholders of subsidiaries		17,170	—
Dividend income received from investments in securities		6,323	5,162

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Dividend received from a joint venture		31,407	370
(Advance to)/repayments from joint ventures		(1,028,416)	1,040,824
(Advance to)/repayments from non-controlling shareholders of subsidiaries		(367,423)	196,634
(Advance to)/repayments from associates		(718,134)	274,028
Proceeds from disposal of investment properties		20,069	55,094
Payment for purchase of available-for-sale investments		—	(154,787)
Deposits paid for acquisition of subsidiaries		—	(2,247,191)
Net cash used in investing activities		(3,644,012)	(1,226,267)
Cash flows from financing activities			
Borrowings raised		17,130,554	26,310,544
Repayments of borrowings		(20,090,456)	(29,583,432)
Redemption of perpetual capital instruments	39	—	(1,123,596)
Distribution to holders of perpetual capital instruments	39	—	(105,617)
Capital contribution by non- controlling shareholders of subsidiaries		7,935	72,942
Advances from/(repayments to) from fellow subsidiaries		577	(34,667)
Advances from/(repayments to) non-controlling shareholders of subsidiaries		163,778	(668,771)
Repayment to ultimate holding company		(12,719)	—
(Repayments to)/advance from an intermediate holding company		(518,586)	480,864
Advance from the ultimate holding company		—	352,257
Advances from joint ventures		1,545,491	660,998
Dividends paid to non-controlling shareholders of subsidiaries		(59,814)	(169,011)

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Net cash used in financing activities		<u>(1,833,240)</u>	<u>(3,807,489)</u>
Net increase in cash and cash equivalents		1,905,663	48,603
Cash and cash equivalents at beginning of the year		17,581,484	17,908,117
Effect of exchange rate changes on cash and cash equivalents		<u>1,434,503</u>	<u>(375,236)</u>
Cash and cash equivalents at end of the year		<u>20,921,650</u>	<u>17,581,484</u>
Represented by bank balances, deposits and cash		<u>20,921,650</u>	<u>17,581,484</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

1. GENERAL

Poly Property Group Co., Limited (“the Company”) is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. Its subsidiaries (together “the Group”) are engaged in property development, property investment and management, hotel operations and its related services, manufacturing and sales of digital discs and others. The principal activities of principal subsidiaries are set out in note 50.

The directors consider the Company’s immediate holding company is Poly (Hong Kong) Holdings Limited (“Poly Holdings”), a company incorporated in Hong Kong. The ultimate holding company is China Poly Group Corporation Limited (“China Poly”), a state-owned enterprise established in the People’s Republic of China (the “PRC”). China Poly and its affiliated companies, other than members of the Group, are hereinafter collectively referred to as China Poly Group.

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, 2017 to the Register 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 (“HKFRSs”)

(a) Adoption of new/revised HKFRSs — effective 1st January, 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 — Disclosure Initiative

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

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement, note 33(b).

Amendments to HKAS 12 — 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.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

(b) New/revised HKFRSs that have been issued but are 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.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards ¹
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures ¹
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions ¹
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
HK(IFRIC)—Int 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
HKFRS 16	Leases ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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 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 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 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.

Amendments to HKAS 40, Investment Property — Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

HK(IFRIC)—Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Amendments to HKFRS 9—Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

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 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.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

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.

Further information about those HKFRS that are expected to be applicable to the Group is described as follows.

HKFRS 9, Financial instruments

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group plans not to elect this designation option for any of the investments held on 1 January 2018 and will recognise any fair value changes in respect of these investments in profit or loss as they arise. This will give rise to a change in accounting policy as currently the Group recognizes the fair value changes of available-for-sale equity investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in note 4(m). This change in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the “incurred loss” model in HKAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses.

HKFRS 15, Revenue from contracts with customers

Management has assessed the effects of applying the new standard on the Group’s financial statements and has identified the following areas that will be affected:

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time.
- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties transfer, will be recognised at a later point in time when the underlying property is legally or physically transfer to the customer under the control transfer model.
- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financing component exists in that contract.
- The Group provides different incentives to customers when they sign a property sale contract. Certain incentives (e.g. free gift and property management service) represent separate performance obligations in a contract. Part of the consideration of the contract will be allocated to those performance obligations and recognised as revenue only when performance obligation is satisfied. The amount of revenue for the sale of property will also be reduced for any cash payment to customer which does not represent fair value of good or service provided by the customer.
- Certain costs incurred for obtaining a pre-sale property contract (e.g. sale commission), which is currently expensed off in profit or loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.

HKFRS 16, Leases

As disclosed in note 4(g), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group’s accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 42, at 31st December, 2017 the Group’s future minimum lease payments under non-cancellable operating leases amount to HK\$1,877,349,000 for office and shop, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1st January, 2019.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable 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 Rules”).

(b) Basis of measurement

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, as explained in the accounting policies set out below.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company. These consolidated financial statements are presented in thousands of units of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements for the year ended 31st December, 2017 comprise the financial statements of the Company and the Group and the Group’s interests in associates and joint ventures.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date that control commenced or up to the date that control ceased. When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at that date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of an interests in associates or joint ventures or other investments.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity attributed to owners of the Company.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

Non-controlling interests represent the equity or deficiency in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any.

(c) Business combinations and goodwill

Business combinations from 1st January, 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the aggregate of the acquisition-date fair values of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially recognised at cost being the excess of (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and any fair value of the Group's previously held equity interests in the acquiree over (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date. When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

After initial recognition, goodwill is stated at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31st December. For the purpose of impairment testing, goodwill arising on a business combination is allocated to each cash-generating units, or group of cash-generating units that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1st January, 2010 but after 1st January, 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1st January, 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interests were measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

(d) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date fair value excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(e) Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation. These include properties that are being constructed or developed for future use as investment properties.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Any gain or loss arising from a change in fair value of an investment property is recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year in which the asset is derecognised.

(f) Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of goods or services, or for administrative purposes, other than hotel properties and construction in progress, are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 “Property, Plant and Equipment” from the requirement to make regular revaluations of the Group’s buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30th September, 1995, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to accumulated profits.

Hotel properties are stated in the consolidated statement of financial position at their revalued amounts, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses.

Revaluations are performed with sufficient regularity to ensure that the carrying amounts of these assets do not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of hotel properties is generally dealt with in other comprehensive income and accumulated as a separate component of equity (hotel properties revaluation reserve), except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of such buildings is dealt with as an expense to the extent that it exceeds the balance, if any, held on the hotel properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued hotel properties is charged to profit or loss. On the subsequent sale or retirement of a revalued hotel property, the attributable revaluation surplus remaining in the hotel properties revaluation reserve is transferred directly to accumulated profits.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, other than construction in progress, less their estimated residual value, if any, using the straight line method over their estimated useful lives.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in profit or loss in the year in which the item is derecognised.

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases are recognised in the profit or loss on a straight- line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss using a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised in profit or loss as a reduction of rental expense over the lease term using a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and account for as property, plant and equipment.

(h) Properties under development

Properties under development developed for future sale in the ordinary course of business are included in current assets at the lower of cost and net realisable value. It comprises the consideration for development expenditure (which includes cost of land use rights, construction costs and capitalised interest) directly contributable to the development of the properties.

(i) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

(j) Other inventories

Other inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

(k) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out under “Revenue recognition”. Where the outcome of a construction contract can be estimated reliably, contract costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by (a) the proportion that contract costs incurred for work performed to date to the estimated total contract costs or (b) the amount of work certified by independent engineer with reference to the completion of physical proportion of contract work. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Where the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included under “Trade and other receivables”. Amounts received before the related work is performed are presented as “Advances received” under “Trade and other payables”.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits held at call with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents for the purpose of the consolidation statement of cash flows.

(m) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial

liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, short-term loan receivables, amounts due from subsidiaries, associates, fellow subsidiaries, joint ventures, non-controlling shareholders of subsidiaries, pledged bank deposits and bank balance, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. (See accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non- derivatives that are designated as available for sale or not classified as loans and receivables.

At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated as a separate component of equity (investment revaluation reserve), until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

For certain categories of financial asset, such as trade receivables and short-term loan receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments of trade receivables in the portfolio past the average credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or a loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost if, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income.

Impairment losses other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, property rental deposits, amounts due to subsidiaries, the ultimate holding company, an intermediate holding company, fellow subsidiaries, non-controlling shareholders of subsidiaries, joint ventures, bank and other borrowings, notes payable and loan from a fellow subsidiary are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

Perpetual capital instruments issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received. Discretionary distribution declared by the Group to the holders of perpetual capital instrument is treated as dividend.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(n) Employee benefits

(i) Retirement benefits scheme contributions

Payments to Group's defined contribution retirement benefits schemes and Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefits schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

(ii) Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities.

Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of business combination), and temporary differences relating to investments in subsidiaries, and interests in associates and joint ventures, to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual

rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, except for the case of the guarantee issued by the Company to its subsidiary in which the fair value of such guarantee is recognised as an additional cost of investment in a subsidiary, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with (iii) below. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with (iii) below.

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non- occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable from sales of properties and goods, hotel operations, investments, services provided and subsidies received or receivable, net of discounts and sales related taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- a) Revenue arising from the sales of properties is recognised upon the execution of a binding sale agreement, the issue of an occupation permit and a completion certificate by the relevant government authorities and fulfilling the terms of the binding sale agreements, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to date of revenue recognition are included in the statement of financial position under pre-sale deposits.
- b) Revenue from sales of goods are recognised when goods are delivered at customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.
- c) Building management service income is recognised over the relevant period in which the services are rendered.
- d) Revenue from hotel operations and related services is recognised when the relevant services are provided.
- e) Interest income from a financial asset is recognised as it accrues on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- f) Dividend income from investments is recognised when the Group's rights to receive payment is established.
- g) Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.
- h) When the outcome of a construction contract can be estimated reliably, construction revenue is recognised using the percentage of completion method, measured by reference to (a) the proportion that contract costs incurred for work performed to date to estimated total contract cost or (b) the amount of work certified by independent engineer with reference to the completion of physical proportion of the contract work. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(r) Translation of foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated statement of profit or loss and are reported separately as other income.

(u) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse of domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, 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 following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated net realisable value of properties under development and held for sale

Management reviews the net realisable value of the Group's properties under development and held for sale with reference to its estimated costs to completion, intended use and current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its net realisable value. Appropriate write-off to estimated net realisable value is recognised in profit or loss when there is objective evidence that the asset is impaired.

In determining whether write-off of properties under development and held for sale is required, the Group takes into consideration the intended use of the properties, the estimated costs to completion, the current market environment, the estimated market value of the properties and/or the present value of future cash flows expected to receive. Write-off is recognised based on the higher of estimated future cash flows and estimated market value. If the market environment/circumstances or estimated costs to completion changes significantly, resulting in a decrease in the net realisable value of these properties interest, additional write-off loss may be required. As at 31st December, 2017, the carrying amounts of properties under development and held for sale are HK\$75,239,834,000 (2016: HK\$73,764,899,000) (net of accumulated impairment loss of HK\$812,180,000 (2016: HK\$929,964,000)).

Estimated impairment of loan receivables and other receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2017, the carrying amounts of loan receivables and other receivables are HK\$112,583,000 (2016: HK\$Nil) (net of allowance for doubtful debts of HK\$25,121,000 (2016: HK\$25,121,000)) and HK\$4,532,674,000 (2016: HK\$4,313,068,000) (net of allowance for doubtful debts of HK\$123,170,000 (2016: HK\$122,482,000)), respectively. More details are given in notes 26 and 27.

Estimation of fair value of investment properties

Investment properties were revalued as at 31st December, 2017 based on the appraised market value by independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair value measurement utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the “fair value hierarchy”):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The principal assumptions for the Group’s estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31st December, 2017 was HK\$10,904,879,000 (2016: HK\$10,406,785,000). More details are given in note 16.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discounted rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31st December, 2017 was HK\$Nil (2016: HK\$Nil). More details are given in note 19.

PRC enterprise income tax

The Group is subject to income taxes in Mainland China. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax (“LAT”)

The Group is subject to LAT in Mainland China. The provision of LAT is based on management’s best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for its certain property development projects. The final outcome could be different from the amounts that were initially recorded.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 35 and 36, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits, perpetual capital instruments and non-controlling interests.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank and other borrowings plus notes payable less bank balances, deposits and cash. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios at 31st December, 2017 and 2016 were as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Total bank and other borrowings (<i>note 35</i>)	42,925,236	43,724,279
Notes payable (<i>note 36</i>)	3,900,000	3,900,000
Less: Bank balances, deposits and cash	(20,921,650)	(17,581,484)
Net debt	<u>25,903,586</u>	<u>30,042,795</u>
Total equity	<u>30,816,581</u>	<u>26,982,059</u>
Total capital	<u>56,720,167</u>	<u>57,024,854</u>
Gearing ratio	<u>46%</u>	<u>53%</u>

7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

The following table shows the carrying amount of financial assets and liabilities:

	2017 HK\$'000	2016 HK\$'000
Financial assets		
Loans and receivables		
— Loan receivables	112,583	—
— Trade and other receivables	4,518,586	4,448,030
— Amounts due from associates	757,418	37,078
— Amounts due from joint ventures	4,141,267	2,938,059
— Amounts due from non-controlling shareholders of subsidiaries	939,600	542,767
— Pledged bank deposits	329,237	785,305
— Bank balances, deposits and cash	20,921,650	17,581,484
Available-for-sale investments	325,839	310,877
Financial liabilities		
Amortised cost		
— Trade and other payables	15,473,700	13,899,985
— Property rental deposits	126,151	126,120
— Amounts due to joint ventures	2,258,285	672,749
— Amount due to the ultimate holding company	411,592	388,469
— Amount due to an intermediate holding company	21,034	509,304
— Amounts due to fellow subsidiaries	587,869	825,110
— Amounts due to non-controlling shareholders of subsidiaries	2,529,004	2,161,076
— Bank and other borrowings	42,925,236	43,724,279
— Notes payable	3,900,000	3,900,000
— Loan from a fellow subsidiary	214,286	202,247

(b) Financial risk management objectives and policies

Exposure to market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk arises in the normal course of the Group's business. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency rates, interest rates and equity security prices. Market risk exposures are further measured by sensitivity analysis. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

(i) Currency risk

The Group's revenue is mostly denominated in Renminbi ("RMB"), however, the Group also undertakes certain transactions denominated in foreign currencies, hence exposures to currency risk. In addition, the currency risk also arises from funding to its subsidiaries in the PRC. These loans to its subsidiaries are normally denominated in RMB while the sources of funding are usually denominated in Hong Kong dollars and United States dollars ("US\$").

Since Hong Kong dollars is being pegged to US\$, material fluctuations in exchange rates of Hong Kong dollars against US\$ are remote.

The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rate and consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's exposure as at 31st December, 2017 that the currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency and US\$ of the entity to which they relate.

	2017 RMB'000	2016 RMB'000
Bank balances, deposits and cash	15,194	11,501
Short-term loans to subsidiaries	7,448,665	7,448,665
Gross exposure arising from recognised assets	7,463,859	7,460,166

The following table indicates the approximate change in the Group's profit after tax and accumulated profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower.

	2017		2016	
	Appreciation (depreciation) in foreign exchange rate	Increase (decrease) in profits after tax and accumulated profits HK\$'000	Appreciation (depreciation) in foreign exchange rate	Increase (decrease) in profits after tax and accumulated profits HK\$'000
Renminbi	5%	444,277	5%	419,110
	5%	(444,277)	(5%)	(419,110)

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits, fixed-rate bank and other borrowings and notes payable (see notes 33, 35 and 36 for details of these deposits, borrowings and notes). The Group aims at keeping borrowings at variable rates. Currently, the Group does not have hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR and benchmark rate in the PRC arising from the Group's US\$ and RMB borrowings. Benchmark rate is the prevailing benchmark lending interest rate promulgated by People's Bank of China being 4.35% (2016: 4.35%) per annum (the "benchmark").

The Group is also exposed to cash flow interest rate risk in relation to amounts due from (to) related parties with variable interest rates, loan receivables, bank balances and variable-rate bank and other borrowings (see notes 20, 21, 27(a), 29, 30, 31, 32, 33 and 35 for details of these balances, bank balances and borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the cash flows interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2017 would decrease/increase by HK\$27,793,000 (2016: HK\$28,878,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings and bank balances.

(iii) Other price risk

The Group is exposed to equity price risk arising from its investment in listed available-for-sale investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity instruments quoted in the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 5% higher/lower:

Investment revaluation reserve would increase/decrease by HK\$2,218,000 (2016: increase/decrease by HK\$1,474,000) for the Group as a result of the changes in fair value of listed available-for-sale investments.

Credit risk

As at 31st December, 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Liquidity risk

The Group has net current assets amounting to approximately HK\$39,624,720,000 at 31st December, 2017.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings as a significant source of liquidity. As at 31st December, 2017 the Group has available unutilised bank loan facilities of approximately HK\$11,362,356,000 (2016: HK\$9,356,170,000). Details of which are set out in note 35.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2017						
Non-derivative financial liabilities						
Trade and other payables		15,473,700	—	—	15,473,700	15,473,700
Property rental deposits		126,151	—	—	126,151	126,151
Amount due to the ultimate holding company						
— interest-free		22,420	—	—	22,420	22,420
— variable rate	4.86%	400,984	—	—	400,984	389,172
Amount due to an intermediate holding company						
— interest-free		21,034	—	—	21,034	21,034
Amounts due to fellow subsidiaries						
— interest-free		373,583	—	—	373,583	373,583
— variable rate	7.27%	224,022	—	—	224,022	214,286
Amounts due to non-controlling shareholders of subsidiaries						
— interest-free		1,017,904	—	—	1,017,904	1,017,904
— fixed rate	6.68%	251,291	—	—	251,291	241,221
— variable rate	5.46%	1,313,217	—	—	1,313,217	1,269,879
Amounts due to joint ventures						
— interest-free		1,495,189	—	—	1,495,189	1,495,189
— fixed rate	4.55%	784,778	—	—	784,778	763,096
Bank and other borrowings						
— fixed rate	5.80%	8,221,053	7,950,426	4,015,018	20,186,497	16,542,985
— variable rate	4.61%	8,029,917	19,894,480	1,736,538	29,660,935	26,382,251
Notes payable						
— fixed rate	4.75%	4,015,781	—	—	4,015,781	3,900,000
Loan from a fellow subsidiary	6.00%	—	214,286	—	214,286	214,286
		<u>41,771,024</u>	<u>28,059,192</u>	<u>5,751,556</u>	<u>75,581,772</u>	<u>68,447,157</u>
Financial guarantee issued in respect of credit facilities to associates and joint ventures						
— maximum amount guaranteed (note 44)						<u>2,088,743</u>

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	1–5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2016						
Non-derivative financial liabilities						
Trade and other payables		13,899,985	—	—	13,899,985	13,899,985
Property rental deposits		126,120	—	—	126,120	126,120
Amount due to the ultimate holding company						
— interest-free		21,160	—	—	21,160	21,160
— variable rate	4.64%	377,951	—	—	377,951	367,309
Amount due to an intermediate holding company						
— interest-free		6,228	—	—	6,228	6,228
— fixed rate	5.5%	413,446	—	—	413,446	399,706
— variable rate	5.35%	106,827	—	—	106,827	103,370
Amounts due to fellow subsidiaries						
— interest-free		622,863	—	—	622,863	622,863
— variable rate	7.27%	211,437	—	—	211,437	202,247
Amounts due to non-controlling shareholders of subsidiaries						
— interest-free		557,957	—	—	557,957	557,957
— fixed rate	6.24%	668,493	—	—	668,493	643,398
— variable rate	5.02%	989,816	—	—	989,816	959,721
Amounts due to joint ventures						
— interest-free		672,749	—	—	672,749	672,749
Bank and other borrowings						
— fixed rate	6.36%	5,623,000	16,761,831	—	22,384,831	19,362,685
— variable rate	4.53%	8,188,237	17,017,001	2,258,099	27,463,337	24,361,594
Notes payable						
— fixed rate	4.75%	—	4,482,566	—	4,482,566	3,900,000
Loan from a fellow subsidiary	6%	—	202,247	—	202,247	202,247
		<u>32,486,269</u>	<u>38,463,645</u>	<u>2,258,099</u>	<u>73,208,013</u>	<u>66,409,339</u>
Financial guarantee issued in respect of credit facilities to associates and joint ventures						
— maximum amount guaranteed						
(note 44)						<u>1,853,932</u>

(c) Fair values

(i) *Financial instruments carried at fair value*

The following table presents the fair value of financial instruments measured at 31st December, 2017 on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, “Fair Value Measurement”. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31st December, 2017, the Group had following financial instruments carried at fair value all of which are based on the level 1 of the fair value hierarchy:

	2017 HK\$'000	2016 HK\$'000
Assets		
Available-for-sale investments		
— Listed	44,367	29,472

During the year ended 31st December, 2017, there were no significant transfers between financial instruments in level 1 and level 2.

(ii) *Fair values of financial instruments carried at other than fair value*

The carrying amounts of the Group’s financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31st December, 2017 and 2016.

(iii) The fair values of financial assets and financial liabilities are determined as follows:

The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

8. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties, net of business tax payable in the PRC. An analysis of the Group's revenue for the year is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Sales of properties	29,862,706	28,931,153
Rental income and building management service income	1,456,841	1,180,330
Income from hotel operations	196,758	189,032
Sales of goods	89,744	77,951
Others	96,993	201,860
	<u>31,703,042</u>	<u>30,580,326</u>

9. OTHER GAINS, NET

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Dividend income	6,323	57,512
Exchange gain/(loss)	440,910	(458,308)
Government subsidy	15,388	135,924
Gain on re-measurement of an associate to acquisition date fair value in step acquisition (<i>note 52</i>)	—	21,256
Interest income from bank	139,128	130,310
Interest income from loan to an associate	6,844	8,299
Interest income from loans to joint ventures	186,774	176,721
Interest income from non-controlling interest	17,170	—
Reversal of impairment loss previously recognised in respect of other receivables	—	3,250
Others	181,592	82,184
	<u>994,129</u>	<u>157,148</u>

10. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Finance costs on interest bearing borrowings	2,946,788	3,746,104
Less: amounts capitalised	<u>(1,984,910)</u>	<u>(2,835,670)</u>
	<u>961,878</u>	<u>910,434</u>

Borrowing costs capitalised during the year arose from specific borrowings.

The capitalisation rate of borrowings was 5.14% (2016: 5.82%) for the year ended 31st December, 2017.

11. DIRECTORS' EMOLUMENTS

Directors emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

	Other emoluments				
	Fees	Salaries and other benefits	Bonuses	Retirement benefit scheme contributions	Total emoluments
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
2017					
Wang Xu	—	3,251	1,255	18	4,524
Xue Ming	—	437	—	18	455
Han Qingtao	—	3,251	1,255	18	4,524
YE Liwen	—	2,801	1,146	18	3,965
Zhu Weirong	—	2,801	1,146	18	3,965
Choy Shu Kwan	286	—	—	—	286
Ip Chun Chung, Robert	264	—	—	—	264
Leung Sau Fan, Sylvia	286	—	—	—	286
Wong Ka Lun	286	—	—	—	286
	<u>1,122</u>	<u>12,541</u>	<u>4,802</u>	<u>90</u>	<u>18,555</u>
Total	<u>1,122</u>	<u>12,541</u>	<u>4,802</u>	<u>90</u>	<u>18,555</u>

	Other emoluments				Total emoluments HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
2016					
Wang Xu	—	2,467	306	18	2,791
Xue Ming	—	1,048	—	18	1,066
Han Qingtao	—	3,199	667	18	3,884
YE Liwen	—	2,807	574	18	3,399
Zhu Weirong	—	1,231	574	8	1,813
Choy Shu Kwan	260	—	—	—	260
Ip Chun Chung, Robert	240	—	—	—	240
Leung Sau Fan, Sylvia	260	—	—	—	260
Wong Ka Lun	260	—	—	—	260
Total	1,020	10,752	2,121	80	13,973

According to the relevant rules and regulations of State-owned Assets Supervision and Administration Commission of the State Council, the annual remuneration package of Mr. Xue Ming is determined by an assessment on his annual performance at each year end by China Poly Group. During the year end 31st December, 2017, the Company paid remuneration of RMB380,000 (approximately HK\$437,000) which is still pending the final approval from China Poly Group.

In each of the two years ended 31st December, 2017, no emoluments were paid by the Group to the directors, as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during each of the two years ended 31st December, 2017 and 2016.

12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, four (2016: three) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining one (2016: two) highest paid individuals are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and other benefits	2,541	5,379
Bonuses	1,266	2,478
Retirement benefits scheme contributions	234	239
	4,041	8,096

The emoluments of the remaining one (2016: two) highest paid individuals were within the following bands:

	2017 Number of employee	2016 Number of employee
HK\$2,500,001 to HK\$3,000,000	—	—
HK\$3,500,001 to HK\$4,000,000	—	1
HK\$4,000,001 to HK\$4,500,000	<u>1</u>	<u>1</u>

13. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging (crediting):

	2017 HK\$'000	2016 HK\$'000
Staff costs		
— directors' emoluments (<i>note 11</i>)	18,555	13,973
— other staff costs	950,862	894,726
— other staff's retirement benefit scheme contributions	<u>146,854</u>	<u>132,099</u>
	<u>1,116,271</u>	<u>1,040,798</u>
Amortisation of prepaid lease payments (included in administrative expenses)	10,160	10,636
Depreciation of property, plant and equipment	<u>124,950</u>	<u>127,905</u>
Total depreciation and amortisation	<u>135,110</u>	<u>138,541</u>
Auditor's remuneration		
— audit fee	7,900	7,100
— disbursements	850	854
Cost of inventories recognised as expenses	23,852,608	24,670,727
Loss on dissolution of subsidiaries	—	110
(Gain)/loss on disposal of investment properties	(5,326)	10,245
Loss on disposal of property, plant and equipment	10,343	4,333
Impairment loss on goodwill (<i>note 19</i>)	—	281,331
Impairment loss on other receivables	—	86,458
Impairment loss on property, plant and equipment (<i>note 17</i>)	—	783
Operating lease rentals in respect of		
— rented premises	41,192	36,374
Property rental income and building management service income, net of direct expenses of HK\$537,411,000 (2016: HK\$567,207,000)	<u>(919,430)</u>	<u>(613,123)</u>

14. INCOME TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax:		
— Hong Kong Profits Tax	—	—
— PRC Enterprise Income Tax	925,756	1,017,635
— PRC Withholding Income Tax	632	5,751
— LAT	<u>1,329,043</u>	<u>947,352</u>
	2,255,431	1,970,738
Deferred tax:		
— Deferred taxation	<u>67,118</u>	<u>41,311</u>
Income tax expense	<u><u>2,322,549</u></u>	<u><u>2,012,049</u></u>

Hong Kong Profits Tax is calculated at 16.5% (2016: 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.

Details of deferred taxation are set out in note 41.

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.

The income tax expense for the year can be reconciled to the profit (loss) before income tax expense in the consolidated statement of profit or loss as follow:

	2017 HK\$'000	2016 <i>HK\$'000</i>
Profit (loss) before income tax expense	4,889,189	2,233,221
Tax at PRC statutory tax rate of 25% (2016: 25%)	1,222,297	558,305
Tax effect of share of results of associates	2,521	3,882
Tax effect of share of results of joint ventures	(49,522)	7,632
Tax effect of expenses not deductible for tax purpose	165,573	303,123
Tax effect of income not taxable for tax purpose	(350,146)	(45,998)
Tax effect of tax losses not recognised	343,934	542,419
Tax effect of utilisation of tax losses previously not recognised	(35,987)	(116,782)
Effect of different tax rates of subsidiaries operating in other jurisdictions	122,697	130,913
Effect of tax already subject to LAT	1,040,699	710,514
PRC Withholding Income Tax	632	5,751
Others	(140,149)	(87,710)
Income tax expense	<u>2,322,549</u>	<u>2,012,049</u>

15. EARNINGS PER SHARE

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

	2017 HK\$'000	2016 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company	<u>2,462,061</u>	<u>80,745</u>
	2017	2016
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>3,661,537,046</u>	<u>3,661,537,046</u>

No diluted earnings per share is calculated for the years ended 31st December, 2017 and 31st December, 2016 as there was no potential diluted ordinary share in existence.

16. INVESTMENT PROPERTIES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Level 3 fair value measurement		
At beginning of the year	10,406,785	11,095,284
Additions	2,018	737
Transfer to property, plant and equipment	(60,000)	—
Transfer to properties held for sale	(104,103)	—
Change in fair value	66,329	116
Disposals	(14,743)	(65,339)
Exchange adjustments	608,593	(624,013)
	<u>10,904,879</u>	<u>10,406,785</u>
At end of the year	<u>10,904,879</u>	<u>10,406,785</u>

The fair values of the Group's investment properties at 31st December, 2017 and 2016 were arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent professional surveyor and property valuer not connected with the Group. AA Property Services Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation were determined either on the basis of capitalisation of rental income derived from existing tenancies or by reference to comparable sales transactions as available in the relevant market. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties measured at the end of the reporting period is categorised as level 3 of fair value hierarchy as defined in HKFRS 13.

The carrying value of investment properties comprises:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Properties held under		
— long-term leases in Hong Kong	185,000	195,000
— medium-term land use rights in the PRC	10,719,879	10,211,785
	<u>10,904,879</u>	<u>10,406,785</u>

Information about level 3 fair value measurements

	Fair value as at 31st December, 2017 <i>HK\$'000</i>	Valuation techniques*	Significant unobservable inputs	Range or weighted average to fair value	Relationship of unobservable inputs to fair value
Completed properties in Hong Kong	185,000	Direct comparison	Transaction price (HK\$/square feet)	HK\$24,400 (2016: HK\$19,000)	The higher the transaction price, the higher the fair value
Completed properties in PRC	4,996,335	Direct comparison	Transaction price (RMB/square metre)	RMB3600–45,800 (2016: RMB3,600–RMB45,800)	The higher the transaction price, the higher the fair value
Completed properties in PRC	5,723,544	Income approach	Capitalisation rate	2.7% to 30% (2016: 2.4% to 35%)	The higher the capitalisation rate, the lower the fair value
	<u>10,904,879</u>				

* Fair value of completed properties is generally derived using the direct comparison approach unless reliable market information is not available for certain properties due to their locations or specialised function uses.

Fair value adjustment of investment properties is recognised in the line item “increase in fair value of investment properties” on the face of the consolidated statement of profit or loss.

There were no transfers into or out of level 3 during the year.

17. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties <i>HK\$'000</i>	Leasehold land <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:								
At 1st January, 2016	1,109,881	115,230	980,972	230,100	172,219	230,024	12,179	2,850,605
Additions	—	—	—	30,821	4,656	1,771	2,013	39,261
Transfer	—	—	—	9,322	—	1,507	(10,829)	—
Transfer from properties held for sale	—	—	174,379	—	—	—	—	174,379
Disposals	—	—	(4,363)	(3,884)	(3,481)	(28)	(2,123)	(13,879)
Acquisition of subsidiaries (<i>note 52</i>)	—	—	—	570	4	—	—	574
Disposal of a subsidiary (<i>note 53</i>)	—	—	—	(340)	—	—	—	(340)
Deficit arising on revaluation	(71,323)	—	—	—	—	—	—	(71,323)
Elimination of accumulated depreciation	(44,745)	—	—	—	—	—	—	(44,745)
Exchange adjustments	(62,353)	—	(54,523)	(12,415)	(9,085)	(12,922)	(635)	(151,933)
At 31st December, 2016 and 1st January, 2017	931,460	115,230	1,096,465	254,174	164,313	220,352	605	2,782,599
Additions	—	—	4,123	18,853	4,874	3,774	685	32,309
Transfer	—	—	—	—	—	866	(866)	—
Transfer from investment property	—	54,000	6,000	—	—	—	—	60,000
Transfer to properties held for sale	—	—	(269,537)	—	—	—	—	(269,537)
Disposals	—	—	(335)	(12,702)	(50,585)	(13,234)	(85)	(76,941)
Acquisition of subsidiaries (<i>note 52</i>)	—	—	4,978	2,997	161	11,205	—	19,341
Surplus arising on revaluation	44,548	—	—	—	—	—	—	44,548
Elimination of accumulated depreciation	(44,548)	—	—	—	—	—	—	(44,548)
Exchange adjustments	55,444	—	63,569	12,842	9,238	12,644	32	153,769
At 31st December, 2017	<u>986,904</u>	<u>169,230</u>	<u>905,263</u>	<u>276,164</u>	<u>128,001</u>	<u>235,607</u>	<u>371</u>	<u>2,701,540</u>
Comprising:								
At cost	—	169,230	905,263	276,164	128,001	235,607	371	1,714,636
At valuation — 2017	<u>986,904</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>986,904</u>

	Hotel properties <i>HK\$'000</i>	Leasehold land <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Accumulated depreciation:								
At 1st January, 2016	–	43,689	224,852	145,152	114,159	204,283	–	732,135
Charge for the year	45,773	2,305	31,883	25,816	17,564	4,564	–	127,905
Impairment loss	–	–	–	–	–	783	–	783
Disposals	–	–	(3,626)	(3,383)	(2,512)	(25)	–	(9,546)
Acquisition of a subsidiary (<i>note 52</i>)	–	–	–	246	1	–	–	247
Disposal of a subsidiary (<i>note 53</i>)	–	–	–	(196)	–	–	–	(196)
Elimination on revaluation	(44,745)	–	–	–	–	–	–	(44,745)
Exchange adjustments	(1,028)	–	(12,733)	(8,280)	(6,376)	(11,579)	–	(39,996)
At 31st December, 2016 and 1st January 2017	–	45,994	240,376	159,355	122,836	198,026	–	766,587
Charge for the year	43,012	3,205	27,096	34,715	11,650	5,272	–	124,950
Disposals	–	–	–	(12,462)	(41,660)	(12,476)	–	(66,598)
Acquisition of subsidiaries (<i>note 52</i>)	–	–	825	2,418	155	10,670	–	14,068
Elimination on revaluation	(44,548)	–	–	–	–	–	–	(44,548)
Transfer to properties held for sale	–	–	(26,641)	–	–	–	–	(26,641)
Exchange adjustment	1,536	–	14,580	9,397	5,837	11,530	–	42,880
	<u>–</u>	<u>49,199</u>	<u>256,236</u>	<u>193,423</u>	<u>98,818</u>	<u>213,022</u>	<u>–</u>	<u>810,698</u>
Carrying value:								
At 31st December 2017	<u>986,904</u>	<u>120,031</u>	<u>649,027</u>	<u>82,741</u>	<u>29,183</u>	<u>22,585</u>	<u>371</u>	<u>1,890,842</u>
At 31st December, 2016	<u>931,460</u>	<u>69,236</u>	<u>856,089</u>	<u>94,819</u>	<u>41,477</u>	<u>22,326</u>	<u>605</u>	<u>2,016,012</u>

The above items of property, plant and equipment are depreciated using the straight-line basis at the following rates per annum:

Hotel properties	2%
Leasehold land	over the lease term
Buildings	2%–18%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	5%–23%

	2017 HK\$'000	2016 HK\$'000
The carrying value of hotel properties, leasehold land and buildings located at:		
— long-term leases in Hong Kong	142,371	86,242
— medium-term land use rights in the PRC	1,613,591	1,770,543
	<u>1,755,962</u>	<u>1,856,785</u>

The fair value of the Group's hotel properties at 31st December, 2017 was arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent professional surveyor and property valuer not connected with the Group. AA Property Services Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation were determined by either discounting the construction cost or arrived at by the income approach, whereby the income derived from the hotel operations with regard to past trading accounts are capitalised at an appropriate rate of return to arrive at the value of the property interests with due allowance for outgoings and expenses. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The fair value of the Group's hotel properties measured at the end of the reporting period is categorised as level 3 of fair value hierarchy as defined in HKFRS 13.

Information about level 3 fair value measurements

	Fair value as at 31st December, 2017 <i>HK\$'000</i>	Valuation techniques	Significant unobservable inputs	Range or weighted average	Relationship of unobservable inputs to fair value
Hotel properties in Beijing, PRC	380,952	Income approach	Capitalisation rate	4.5%–9.8% (2016: 5%–11%)	The higher the capitalisation rate, the lower the fair value
			Estimated profits from operations (RMB/square metre)	RMB6,700 (2016: RMB6,700)	The higher the estimated profits, the higher the fair value
Hotel properties in Wuhan and Guiyang, PRC	605,952	Cost approach	Adjustment to construction cost (Discount rate on building cost)	16%–30% (2016: 10%–20%)	The higher the discount rate, the lower the fair value
			Construction cost per square meter	RMB9,500–13,000 (2016: RMB4,700– RMB9,700)	The higher the construction cost, the higher the fair value
	<u>986,904</u>				

Surplus on revaluation and exchange adjustment of properties held for own use are recognised in consolidated statement of comprehensive income in “Surplus arising on revaluation of properties”.

There were no transfers into or out of level 3 during the year.

18. PREPAID LEASE PAYMENTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
The Group's prepaid lease payments comprise:		
— medium-term land use rights in the PRC	<u>335,560</u>	<u>326,640</u>
The Group's prepaid lease payments comprise:		
— current asset	<u>10,175</u>	<u>10,397</u>
— non-current asset	<u>325,385</u>	<u>316,243</u>
	<u>335,560</u>	<u>326,640</u>

19. GOODWILL

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cost:	—	816,630
Accumulated impairment losses:		
At 1st January	—	535,299
Impairment loss for the year	—	281,331
At 31st December	—	816,630
Carrying amount:		
At 31st December	—	—

None of the goodwill recognised is expected to be deductible for income tax purpose.

Impairment tests for cash-generating units containing goodwill

Goodwill of HK\$Nil as at 31st December, 2017 (2016: HK\$Nil) acquired through business combination has been allocated to certain cash-generating units within the property development segment. Goodwill is tested for impairment by the management by estimating the recoverable amount of these cash-generating units based on value in use calculations. These calculations use cash flow projection for the specific property development project based on the financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections is 4.4%.

Key assumptions used in the value in use calculations

The following describes the key assumptions on which management has based its cash flow projects to undertake impairment testing of goodwill:

Revenue from the property development project	The selling price is estimated by management by reference to the average selling price of a similar property in the relevant locations.
Cost of construction	The cost of construction is estimated by the engineering department based on the projected cost to completion of the project

As at 31st December, 2017, due to decline in expected revenue from the relevant project companies, the recoverable amounts of these project companies as separate cash-generating units are estimated to be lower than their carrying amounts and an impairment loss of HK\$Nil (2016: HK\$281,331,000) was recognised for these project companies in 2017.

20. INTERESTS IN ASSOCIATES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cost of unlisted investments in associates	334,455	271,422
Share of post-acquisition losses and reserves, net of dividends received	(38,410)	(26,578)
Goodwill	<u>2,110</u>	<u>1,473</u>
	<u>298,155</u>	<u>246,317</u>
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Amounts due from associates:		
— Interest-free	547,214	—
— Fixed rate of 8%	92,857	37,078
— Fixed rate of 9%	<u>117,347</u>	<u>—</u>
	<u>757,418</u>	<u>37,078</u>

The amounts are unsecured and repayable on demand or within one year.

Details of the Group's principal associates as at 31st December are as follows:

Name of associates	Place of establishment and business	Proportion of ownership interest by the Group		Principal activities
		2017	2016	
南寧市柳沙房地產開發有限公司 (「南寧柳沙房地產」)	PRC	30%	30%	Property development
濟南世茂新紀元置業有限公司 (「濟南世茂」)	PRC	25%	—	Property development
威海國興置業有限公司 (「威海國興」)	PRC	30%	—	Property development

The above table lists the associates of the Group which in the opinion of the directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Additions during the year mainly included the investments in a number of property development companies together with third parties. None of the acquisition was individually significant to the Group. Summary of the acquisitions are as follows:

	濟南世茂 HK\$'000	威海國興 HK\$'000	Total HK\$'000
Identifiable net assets			
Identifiable assets and liabilities assumed			
Assets	2,791,630	683,394	3,475,024
Liabilities	(2,690,363)	(629,038)	(3,319,401)
Identifiable net assets	<u>101,267</u>	<u>54,356</u>	<u>155,623</u>
Reconciliation to the Group's interests in associates			
Cash consideration for the acquisition	(29,761)	(17,857)	(47,618)
Fair values of the Group's share of identifiable net assets	<u>29,761</u>	<u>17,308</u>	<u>47,069</u>
Goodwill	<u>—</u>	<u>549</u>	<u>549</u>

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below:

南寧柳沙房地產

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
As at 31st December		
Current assets	<u>1,817,217</u>	<u>1,597,360</u>
Non-current assets	<u>6,522</u>	<u>4,830</u>
Current liabilities	<u>(559,002)</u>	<u>(280,424)</u>
Non-current liabilities	<u>(416,667)</u>	<u>(505,618)</u>
Included in the above amounts are:		
Cash and cash equivalents	<u>34,107</u>	<u>134,123</u>
Current financial liabilities (excluding trade and other payable)	<u>(170,055)</u>	<u>(141,353)</u>
Non-current financial liabilities (excluding other payable)	<u>(416,667)</u>	<u>(505,618)</u>
Year ended 31st December		
Revenue	<u>1,282</u>	<u>—</u>
Net loss and total comprehensive income	<u>(16,083)</u>	<u>(51,767)</u>
Included in the above amounts are:		
Depreciation and amortisation	<u>(145)</u>	<u>(140)</u>
Interest expense	<u>(4,238)</u>	<u>(30,789)</u>
Income tax expense	<u>(1,349)</u>	<u>(934)</u>

Reconciliation of the above summarised financial information to the carrying amount of the interests in the associates recognised in the consolidated financial statements:

	2017 HK\$'000	2016 <i>HK\$'000</i>
Net assets	848,070	816,148
Proportion of the Group's ownership interest	<u>30%</u>	<u>30%</u>
Group's share of net assets	254,421	244,844
Goodwill	<u>1,561</u>	<u>1,473</u>
Carrying amount in the consolidated financial statements	<u>255,982</u>	<u>246,317</u>

Aggregate information of associates that are not individually material

	2017 HK\$'000	2016 <i>HK\$'000</i>
Carrying amount in the consolidated financial statements	42,173	—
Group's share of losses	<u>(5,258)</u>	<u>—</u>

21. INTERESTS IN JOINT VENTURES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cost of unlisted investments in joint ventures	4,035,953	2,364,198
Share of post-acquisition losses and reserves, net of dividends received	(79,001)	(54,254)
	<u>3,956,952</u>	<u>2,309,944</u>
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Amounts due from joint ventures:		
— Interest-free	738,342	166,024
— Fixed rate of 4.35%	—	528,137
— Fixed rate of 5.7%	90,357	—
— Fixed rate of 5.8%	476,191	—
— Fixed rate of 6.33%	—	337,079
— Fixed rate of 7%	373,512	352,528
— Fixed rate of 7.5%	—	112,360
— Fixed rate of 8%	1,206,940	848,068
— Fixed rate of 10%	519,570	—
— 110% of benchmark rate in the PRC	736,355	593,863
	<u>4,141,267</u>	<u>2,938,059</u>
Amounts due to joint ventures:		
— Interest-free	1,495,189	—
— Fixed rate of 4.35%	611,905	—
— Fixed rate of 5.34%	151,191	—
	<u>2,258,285</u>	<u>672,749</u>

Details of the Group's principal joint ventures as at 31st December are as follows:

Name of joint ventures	Place of establishment and business	Proportion of ownership interest by the Group		Principal activities
		2017	2016	
深圳市保利劇院演出經營有限公司	PRC	45%	45%	Theatre management
上海盛衍投資管理有限公司 (「上海盛衍」)	PRC	100% (i)	50%	Investment holding
上海盛垣房地產有限公司 (「上海盛垣」)	PRC	50% (i)	25%	Investment holding
上海保利盛冠投資有限公司	PRC	50%	50%	Investment holding
廣西保利領秀投資有限公司	PRC	46.7%	41.5%	Property development
桂林保利文化投資發展有限公司	PRC	50%	50%	Investment holding
上海隆奕投資管理有限公司	PRC	50%	50%	Investment holding
上海隆威投資管理有限公司	PRC	50%	50%	Investment holding
上海盛保投資管理有限公司	PRC	50%	50%	Investment holding
上海金嵐投資有限公司	PRC	50%	50%	Investment holding
深圳市保誠房地產開發有限公司 (「深圳保誠房地產」)	PRC	50%	50%	Property development
深圳市保達房地產開發有限公司	PRC	50%	50%	Property development
武漢常陽潤力房地產開發有限公司	PRC	64.3%	64.3% (iii)	Property development
濟南萬保盛輝房地產開發有限公司 (「濟南萬保」)	PRC	33% (ii)	—	Property development
寧波上湖置業有限公司 (「寧波上湖」)	PRC	33% (ii)	—	Property development
Profit Maker Holdings Limited	BVI	50%	50%	Investment holding

The above table lists the joint ventures of the Group which in the opinion of the directors, principally affected the results or assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Notes:

- (i) The Group acquired an additional 50% equity interest of 上海盛衍 in 2017 and thus accounted for as a subsidiary of the Group. 上海盛衍 holds 50% equity interest in 上海盛垣, which is an investment holding company in the PRC. After the acquisition of 上海盛衍, 上海盛垣 becomes joint venture of the Group. For details, please refer to note 52.
- (ii) The Group acquired 33% equity interests in 濟南萬保 and 寧波上湖 respectively at a total consideration of HK\$47 million in 2017 to expand business in property development.
- (iii) The Group previously indirectly held 100% of 武漢常陽潤力 through a wholly-owned subsidiary 湖北保利投資有限公司 (“湖北保利投資”). In December, 2016, 70% equity interest of 武漢常陽潤力 were disposed to 珠海保致投資合伙企業 (有限合伙) (“珠海保致”) (note 53). After the disposal, 湖北保利投資 remains 30% equity in 武漢常陽潤力 but loss control in the board of directors of 武漢常陽潤力.

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group’s material joint ventures is set out below:

深圳保誠房地產

	2017 <i>HK\$’000</i>	2016 <i>HK\$’000</i>
As at 31st December		
Current assets	<u>3,231,372</u>	<u>182,998</u>
Non-current assets	<u>14,706</u>	<u>2,951,308</u>
Current liabilities	<u>(107,517)</u>	<u>(120,262)</u>
Non-current liabilities	<u>(1,058,333)</u>	<u>(998,876)</u>
<i>Included in the above amounts are:</i>		
Cash and cash equivalents	<u>41,057</u>	<u>6,589</u>
Current financial liabilities (excluding trade and other payable)	<u>(104,959)</u>	<u>(120,262)</u>
Non-current financial liabilities (excluding other payable)	<u>(1,058,333)</u>	<u>(998,876)</u>

	Year ended 31st December, 2017 HK\$'000	Year ended 31st December, 2016 HK\$'000
Revenue	—	—
Net loss and total comprehensive income	<u>(26,499)</u>	<u>(3,036)</u>

Reconciliation of the above summarised financial information to the carrying amount of the interests in the joint ventures recognised in the consolidated financial statements:

	2017 HK\$'000	2016 HK\$'000
Net assets	2,080,228	2,015,168
Proportion of the Group's ownership interest	<u>50%</u>	<u>50%</u>
Group's share of net assets and carrying amount	<u>1,040,114</u>	<u>1,007,584</u>

上海盛垣

	2017 HK\$'000
As at 31st December	
Current assets	<u>9,107,675</u>
Non-current assets	<u>713</u>
Current liabilities	<u>(6,105,401)</u>
Non-current liabilities	<u>—</u>
<i>Included in the above amounts are:</i>	
Cash and cash equivalents	<u>1,022,907</u>
Current financial liabilities (excluding trade and other payable)	<u>(3,663,105)</u>
Non-current financial liabilities (excluding other payable)	<u>—</u>

	2017 HK\$'000
Revenue	—
Net gain and total comprehensive income	—

Reconciliation of the above summarised financial information to the carrying amount of the interests in the joint ventures recognised in the consolidated financial statements:

	2017 HK\$'000
Net assets	3,002,987
Proportion of the Group's ownership interest	50%
Group's share of net assets and carrying amount	1,501,494

Aggregate information of joint ventures that are not individually material

	2017 HK\$'000	2016 HK\$'000
Carrying amount of not individually material joint ventures in the consolidated financial statements	1,415,344	742,342
Group's share of loss	(44,867)	(27,447)

22. DEPOSITS PAID FOR ACQUISITION OF LAND USE RIGHTS

	2017 HK\$'000	2016 HK\$'000
At beginning of the year	1,551,551	960,518
Deposits paid	—	1,424,584
Transfer to properties under development	—	(779,590)
Exchange adjustments	92,354	(53,961)
At end of the year	1,643,905	1,551,551

The deposits were paid by the Group to PRC government authority in connection with the bidding of three (2016: three) parcels of land in the PRC for property development purposes.

23. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

At 31st December, 2017, the amount represented deposits paid by the Group in connection with the acquisition of subsidiaries which was mainly engaged in property development. The acquisition has not yet been completed at 31st December, 2017.

24. PROPERTIES UNDER DEVELOPMENT AND HELD FOR SALE

	2017 HK\$'000	2016 HK\$'000
Properties under development located in the PRC		
— medium term land use rights	45,584,142	45,966,304
Properties under development located in Hong Kong		
— medium term leases	8,047,211	6,893,607
Properties held for sale located in the PRC		
— medium term land use rights	21,608,481	20,904,988
	<u>75,239,834</u>	<u>73,764,899</u>

The impairment loss on properties under development and held for sale of HK\$Nil (2016: HK\$86,207,000) is recognised in profit or loss for the year ended 31st December, 2017. The impairment loss of 2016 was due to the decrease in the estimated net realisable value.

25. OTHER INVENTORIES

	2017 HK\$'000	2016 HK\$'000
Raw materials	25,956	54,441
Work in progress	602	153
Finished goods	27,499	83,214
	<u>54,057</u>	<u>137,808</u>

26. TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	244,123	364,339
Less: Allowance for doubtful debts	—	—
	<u>244,123</u>	<u>364,339</u>
Other receivables (net of allowance of HK\$123,170,000) (2016: HK\$122,482,000)	<u>4,532,674</u>	<u>4,313,068</u>
	<u>4,776,797</u>	<u>4,677,407</u>

(a) Aging analysis

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 arising 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 based on the invoice date net of allowance for doubtful debts at the end of the reporting period:

	2017 HK\$'000	2016 HK\$'000
0 to 30 days	92,766	111,592
31 to 90 days	6,849	5,778
More than 90 days	144,508	246,969
	244,123	364,339

(b) Aging of trade receivables which are past due but not impaired

	2017 HK\$'000	2016 HK\$'000
91 to 365 days	144,508	246,969

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$144,508,000 (2016: HK\$246,969,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The balance arises from sales of properties of HK\$136,148,000 (2016: HK\$239,292,000), sales of goods of HK\$7,597,000 (2016: HK\$7,070,000) and rental income of HK\$763,000 (2016: HK\$607,000). Based on past experience, the directors consider that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

27. LOAN RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
(a) Non-current loan receivables	112,583	—

Loan receivables include mortgage loan receivables which are secured on properties and repayable by monthly instalments with various tenors not more than 25 years at the year-end date and carry interest at rates with reference to banks' lending rates. As at 31st December, 2017, none of the loan receivables have been overdue but not impaired, of which 100% are aged less than three months since the due dates. These relate to a number of independent customers for whom the creditworthiness, collateral and subsequent settlement after reporting date are assessed and there has not been a significant change in credit quality and the amounts are still considered recoverable. Impairment losses in respect of loan receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loan receivables directly. The balance and movement of the impairment allowance as at 31st December, 2017 is not significant.

(b) Short-term loan receivables

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Other loans (<i>note</i>)	25,121	25,121
Less: Impairment loss recognised	<u>(25,121)</u>	<u>(25,121)</u>
	<u>—</u>	<u>—</u>

Movement in the allowance of short-term loan receivables

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Balance at beginning and end of the year	<u>25,121</u>	<u>25,121</u>

Note:

In accordance with loan agreements, the other loans carry interest at 12% (2016: 12%) per annum and repayable on demand. No interest was accrued for the two years ended 31st December, 2017 and 2016.

28. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK\$'000	2016 HK\$'000
Listed investments:		
— Interests in equity securities listed in Hong Kong (<i>note a</i>)	44,367	29,472
Unlisted securities:		
— Equity securities (<i>note b</i>)	<u>281,472</u>	<u>281,405</u>
	<u>325,839</u>	<u>310,877</u>

Notes:

- (a) The interests in listed equity securities are measured at fair value at the end of each reporting period.

The change in fair value of HK\$14,895,000 (2016: HK\$7,289,000) was charged to investment revaluation reserve.

- (b) The unlisted equity securities represent investments in unlisted equity securities in the PRC and are measured at cost less impairment at the end of each reporting period because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

29. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY

	2017 HK\$'000	2016 HK\$'000
Interest-free	22,420	21,160
92% of benchmark rate in the PRC	32,029	30,230
95.1% of benchmark rate in the PRC	—	337,079
Benchmark rate in the PRC	<u>357,143</u>	<u>—</u>
	<u>411,592</u>	<u>388,469</u>

The amounts are unsecured and repayable on demand or within one year.

30. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

	2017 HK\$'000	2016 HK\$'000
Interest-free	21,034	6,228
Fixed rate of 5.5%	—	399,706
Benchmark rate in the PRC plus 1%	<u>—</u>	<u>103,370</u>
	<u>21,034</u>	<u>509,304</u>

The amounts are unsecured and repayable on demand or within one year.

31. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest-free	373,583	622,863
Movement of benchmark rates in the PRC plus 7.27%	<u>214,286</u>	<u>202,247</u>
	<u>587,869</u>	<u>825,110</u>

The balances are unsecured and repayable on demand.

32. AMOUNTS DUE FROM/(TO) NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Amounts due from non-controlling shareholders of subsidiaries:		
— Interest-free	791,452	111,840
— Fixed rate of 10%	131,310	113,624
— Fixed rate of 12%	16,838	8,988
— Benchmark rate in the PRC	<u>—</u>	<u>308,315</u>
	<u>939,600</u>	<u>542,767</u>
Amounts due to non-controlling shareholders of subsidiaries:		
— Interest-free	1,017,904	557,957
— Fixed rate of 6%	95,238	505,617
— Fixed rate of 6.85%	70,983	66,995
— Fixed rate of 7.38%	75,000	70,786
— Benchmark rate in the PRC	535,714	684,956
— 106% of benchmark rate in the PRC	63,422	72,518
— Movement of benchmark rate in the PRC plus 7.27%	267,857	202,247
— 120% of benchmark rate in the PRC	317,588	—
— 130% of benchmark rate in the PRC	<u>85,298</u>	<u>—</u>
	<u>2,529,004</u>	<u>2,161,076</u>

The amounts are unsecured and repayable on demand.

33. PLEDGED BANK DEPOSITS AND BANK BALANCES, DEPOSITS AND CASH

- (a) Pledged bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to HK\$329,237,000 (2016: HK\$785,305,000) have been pledged to secure general banking facilities and are classified as current assets.

The pledged bank deposits carry interest at a fixed rate ranging from 0.3% to 1.265% (2016: 0.3% to 0.35%) per annum. The pledged bank deposits will be released upon settlement of relevant bank borrowings.

Bank balances include HK\$924,800,000 (2016: HK\$188,528,000) which carry interest at fixed rates ranging from 0.37% to 3.24% (2016: 0.37% to 3.24%) per annum and HK\$19,995,108,000 (2016: HK\$17,391,148,000) which carry interest at variable rates ranging from 0% to 1.73% (2016: 0% to 1.95%) per annum.

Pledged bank deposits and bank balances, deposits and cash denominated in RMB amounted to approximately HK\$18,590,753,000 (2016: HK\$16,487,773,000) as at 31st December, 2017. The RMB is not freely convertible into other currencies.

(b) Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Amounts due to joint ventures (note 21) HK\$'000	Amount due to the ultimate holding company (note 29) HK\$'000	Amount due to an intermediate holding company (note 30) HK\$'000	Amounts due to fellow subsidiaries (note 31) HK\$'000	Amounts due to non- controlling shareholders of subsidiaries (note 32) HK\$'000	Bank and other borrowings (note 35) HK\$'000	Total HK\$'000
At 1st January, 2017	672,749	388,469	509,304	825,110	2,161,076	43,724,279	48,280,987
Changes from financing cash flows:							
Borrowings raised	—	—	—	—	—	17,130,554	17,130,554
Repayment of borrowings	—	—	—	—	—	(20,090,456)	(20,090,456)
Capital contribution by non-controlling shareholders of subsidiaries	—	—	—	—	7,935	—	7,935
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	(59,814)	—	(59,814)
Advances from joint ventures	1,545,491	—	—	—	—	—	1,545,491
Repayment to the ultimate holding company	—	(12,719)	—	—	—	—	(12,719)
Repayment to an intermediate holding company	—	—	(518,586)	—	—	—	(518,586)
Advances from fellow subsidiaries	—	—	—	577	—	—	577
Advances from non-controlling shareholders of subsidiaries	—	—	—	—	163,778	—	163,778
Total changes from financing cash flows	1,545,491	(12,719)	(518,586)	577	111,899	(2,959,902)	(1,833,240)
Exchange adjustments	40,045	23,123	30,316	49,114	180,514	2,159,443	2,482,555
Other changes:							
Discount of bank and other borrowings	—	—	—	—	—	1,416	1,416
Interest expenses	—	—	—	—	75,515	—	75,515
Construction expenses	—	—	—	(286,932)	—	—	(286,932)
Guarantee charges	—	12,719	—	—	—	—	12,719
Total other changes	—	12,719	—	(286,932)	75,515	1,416	(197,282)
As at 31st December, 2017	2,258,285	411,592	21,034	587,869	2,529,004	42,925,236	48,733,020

34. TRADE AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	10,548,019	10,492,556
Bills payables	4,184	—
Other payables	<u>5,000,301</u>	<u>3,460,506</u>
	<u>15,552,504</u>	<u>13,953,062</u>

As of the end of the reporting period, the aging analysis of trade payables based on the invoice date is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 to 30 days	3,947,813	5,071,002
31 to 90 days	79,368	300,455
More than 90 days	<u>6,520,838</u>	<u>5,121,099</u>
	<u>10,548,019</u>	<u>10,492,556</u>

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.

35. BANK AND OTHER BORROWINGS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank and other loans		
— Secured	19,041,370	16,915,953
— Unsecured	<u>23,883,866</u>	<u>26,808,326</u>
	<u>42,925,236</u>	<u>43,724,279</u>

The bank and other loans are repayable as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year or on demand	15,835,437	13,398,644
After one year but within two years	8,517,558	17,001,635
After two years but within three years	10,675,985	5,589,139
After three years but within four years	4,527,839	2,675,412
After four years but within five years	369,048	3,565,742
After five years	<u>2,999,369</u>	<u>1,493,707</u>
	42,925,236	43,724,279
Less: Amounts due within one year shown under current liabilities	<u>(15,835,437)</u>	<u>(13,398,644)</u>
Amounts due after one year	<u>27,089,799</u>	<u>30,325,635</u>
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Fixed rate	(i) 16,542,985	19,362,685
Variable rate		
— Benchmark rate in the PRC	(ii) 20,815,833	16,915,966
— London Interbank Offered Rate (LIBOR)	(iii) —	3,118,893
— Hong Kong Interbank Offered Rate (HIBOR)	(iv) <u>5,566,418</u>	<u>4,326,735</u>
	<u>42,925,236</u>	<u>43,724,279</u>

Notes:

- (i) The balance carries interest charged at fixed rates from 4.8% to 8.8% (2016: 4.8% to 8.8%).
- (ii) The balance carries interest charged at variable rates based on benchmark rate in the PRC ranging from 90% to 130% of benchmark rate in the PRC (2016: 90% to 130% of benchmark rate in the PRC).
- (iii) The balance of 2016 carried interest charged at variable rates based on LIBOR plus 3.4%.
- (iv) The balance carries interest charged at variable rates based on HIBOR ranging from HIBOR plus 1.5% to 2.5% (2016: HIBOR plus 1.5% to 3.4%).

At the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Variable rate		
— expiring within one year	1,467,817	196,629
— expiring beyond one year	8,596,920	8,440,440
Fixed rate		
— expiring within one year	47,619	—
— expiring beyond one year	1,250,000	719,101
	<u>11,362,356</u>	<u>9,356,170</u>

Several banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial position ratios which are commonly found in lending arrangements with financial institutions. If the Group breaches the covenants, the drawn down facilities would become repayable on demand.

The Group regularly monitors its compliance with these covenants and is up to date with the scheduled repayments of the term loans. Further details of the Group's management of liquidity risk are set out in note 7(b). As at 31st December, 2017 none of the covenants relating to drawn down facilities had been breached (2016: none).

36. NOTES PAYABLE

On 16th May, 2013, the Group issued the 4.75% notes due 2018 in the aggregate principal amount of US\$500,000,000 (equivalent to HK\$3,900,000,000). The notes bear interest at the rate of 4.75% per annum, which are payable semi-annually in arrears on the interest payment dates falling 16th May, and 16th November, in each year.

The movements of the notes are set out below:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1st January	3,900,000	3,900,000
Interest expenses	185,250	185,250
Less: Interest paid	<u>(185,250)</u>	<u>(185,250)</u>
At 31st December	<u>3,900,000</u>	<u>3,900,000</u>
Current	3,900,000	—
Non-current	—	3,900,000

37. SHARE CAPITAL

	2017		2016	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Ordinary shares, issued and fully paid				
At 1st January and 31st December	<u>3,661,537,046</u>	<u>17,685,677</u>	<u>3,661,537,046</u>	<u>17,685,677</u>

In accordance with section 135 of the Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

38. SHARE OPTION SCHEMES

Details of the equity-settled share option schemes adopted by the Company are as follows:

Share Option Scheme

In order to provide incentives or rewards to the directors and certain employees of the Company and certain eligible persons (the "Eligible Participants") to contribute to the long term success of the business of the Group, the board of directors of the Company considers that it is in the best interest of the Company to adopt a share option scheme.

At the annual general meeting of the Company held on 28th May, 2014, the shareholders of the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the Eligible Participants may be granted a maximum of 364,463,704 options to subscribe for shares of the Company upon and subject to the terms and conditions of the rules of the Share Option Scheme. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date of 28th May, 2014 and expiring on 27th May, 2024.

According to the Share Option Scheme, the board of directors of the Company may grant options to (i) any director and employee of the Company or subsidiaries, or an entity in which the Group holds an interest ("Affiliate"); (ii) any customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; (iii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; or (iv) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of or contractor to the Group or an Affiliate to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted.

Share option granted should be accepted within 28 days from the date of grant. The board of directors may at its absolute discretion determine the period during which a share option may be exercised; such period should expire no later than 10 years from the date of grant of the relevant option. The board of directors may also provide restrictions on the exercise of a share option during the period a share option may be exercised.

The exercise price is determined by the board of directors of the Company, and shall not be less than the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue.

The total number of shares issued and to be issued upon exercise of the options granted to each individual under the Share Option Scheme and any other share option schemes of the Company (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue of the Company.

As at 31st December, 2017 and 31st December, 2016, no share options were granted under the Share Options Scheme. The total number of options available for grant is 364,463,704 (31st December, 2016: 364,463,704), representing approximately 9.95% (31st December, 2016: 9.95%) of issued share capital of the Company.

39. PERPETUAL CAPITAL INSTRUMENTS

During the year ended 31st December, 2014, the Group issued perpetual capital instruments (the "Perpetual Capital Instruments") to third parties with an aggregate principal amount of RMB788,970,000 (approximately HK\$998,696,000) and the Group further issued an aggregate principal amount of RMB211,030,000 (approximately HK\$251,226,000) in 2015.

The Perpetual Capital Instruments have no maturity date and the Group had discretion not to declare any investment returns. Therefore, the Perpetual Capital Instruments are classified as equity instrument and recorded in equity in the consolidated statement of financial position.

The Perpetual Capital Instruments were fully redeemed in 2016.

Movement of the Perpetual Capital Instruments is as follows:

	Principal <i>HK\$'000</i>	Distribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2016	1,190,476	36,996	1,227,472
Profit attributable to holders of Perpetual Capital Instruments	—	72,325	72,325
Distribution to holders of Perpetual Capital Instruments	—	(105,617)	(105,617)
Redemption of Perpetual Capital Instruments	(1,123,596)	—	(1,123,596)
Exchange adjustments	(66,880)	(3,704)	(70,584)
At 31st December, 2016, at 1st January, 2017 and at 31st December, 2017	<u>—</u>	<u>—</u>	<u>—</u>

40. LOAN FROM A FELLOW SUBSIDIARY

The amount represents loan from a subsidiary of the ultimate holding company. The amount is unsecured, interest-free and repayable upon expiration of the joint venture term of Poly Plaza Limited, a subsidiary of the Company.

The fair value of the loan at initial recognition has been determined based on the present value of the estimated future cash flows discounted using the prevailing market rate of 6% on the date the loan was granted. The loan is then carried at amortised cost in subsequent periods of effective interest rate of 6% (2016: 6%).

41. DEFERRED TAX ASSETS/LIABILITIES

The deferred tax assets/liabilities recognised by the Group and the movements thereon during the current and prior years are as follows:

Deferred tax assets:	Tax losses <i>HK\$'000</i>	Expenses recognised in profit or loss but deductible in subsequent period <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2016	103,856	268,793	31,501	404,150
Acquisition of a subsidiary (<i>note 52</i>)	—	4,263	—	4,263
Disposal of a subsidiary (<i>note 53</i>)	—	(6,801)	(47)	(6,848)
Charge to profit or loss	(56,753)	(16,239)	(3,868)	(76,860)
Exchange adjustments	(4,558)	(14,679)	(1,682)	(20,919)
At 31st December, 2016 and 1st January, 2017	42,545	235,337	25,904	303,786
Credit (charge) to profit or loss	—	13,078	(15,703)	(2,625)
Exchange adjustments	2,532	14,476	981	17,989
At 31st December, 2017	45,077	262,891	11,182	319,150

Deferred tax liabilities:

	Revaluation of properties				Total HK\$'000
	Investment properties HK\$'000	Hotel properties HK\$'000	Properties under development HK\$'000	Others HK\$'000	
At 1st January, 2016	1,300,002	72,531	121,559	3,524	1,497,616
Credit to consolidated statement of comprehensive income	—	(17,831)	—	—	(17,831)
Charge (credit) to profit or loss	13,287	—	(48,530)	(306)	(35,549)
Exchange adjustments	(73,332)	(4,075)	(5,739)	(190)	(83,336)
At 31st December, 2016 and 1st January, 2017	1,239,957	50,625	67,290	3,028	1,360,900
Charge to consolidated statement of comprehensive income	—	11,137	—	—	11,137
Charge to profit or loss	13,016	—	(1,925)	53,402	64,493
Exchange adjustments	74,272	3,013	3,937	2,087	83,309
At 31st December, 2017	<u>1,327,245</u>	<u>64,775</u>	<u>69,302</u>	<u>58,517</u>	<u>1,519,839</u>

At 31st December, 2017, the Group other than its subsidiaries in the PRC had unused tax losses of approximately HK\$901,443,000 (2016: HK\$633,896,000) for offset against future assessable profits. Such unused tax losses may be carried forward indefinitely.

In addition, at 31st December, 2017, the Group's PRC subsidiaries had unused tax losses of approximately HK\$8,131,738,000 (2016: HK\$7,109,462,000) other than those unused tax losses for which deferred tax has been provided for, for offset against future assessable profits. The maximum benefit from unutilised tax losses can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits.

At 31st December, 2017, deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounted to HK\$16,767,441,000 (2016: HK\$13,311,558,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The deferred tax assets arising from the above unused tax losses have not been recognised in the consolidated financial statements due to the unpredictability of future profit streams.

42. OPERATING LEASES

The Group as lessee:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Lease payments paid under operating leases during the year		
— office premises	<u>41,192</u>	<u>36,374</u>

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Office premises 2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	16,045	16,065
In the second and fifth year inclusive	6,420	21,113
Over five years	<u>49</u>	<u>114</u>
	<u>22,514</u>	<u>37,292</u>

The Group as lessor:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Income from operating lease arrangements in respect of office and management services	<u>1,456,841</u>	<u>1,180,330</u>

At the end of the reporting period, the Group had contracted with tenants for the following future minimal lease payments:

	Office and shop 2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	Management fee income 2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	305,154	227,153	23,236	20,655
In the second to fifth year inclusive	782,750	707,730	75,276	71,050
Over five years	<u>789,445</u>	<u>953,611</u>	<u>19,279</u>	<u>26,855</u>
	<u>1,877,349</u>	<u>1,888,494</u>	<u>117,791</u>	<u>118,560</u>

Significant leases are negotiated for a lease term of 1 to 20 years (2016: 1 to 20 years). Certain leases contain a contingent rental element.

43. CAPITAL COMMITMENTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— property development expenditures	10,681,734	10,588,697
— acquisition of a subsidiary	<u>3,750,000</u>	<u>—</u>
	<u>14,431,734</u>	<u>10,588,697</u>
Capital expenditure authorised but not contracted for in respect of:		
— acquisition of a land use right	<u>742,588</u>	<u>—</u>

44. 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\$28,685,243,000 as at 31st December, 2017 (2016: HK\$28,393,520,000). 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 on their payments to the banks.

At 31st December, 2017, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK\$2,170,910,000 (2016: HK\$1,853,932,000), of which HK\$2,088,743,000 (2016: HK\$1,853,932,000) had been utilised by the joint ventures.

45. 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Investment properties	3,704,286	2,809,663
Hotel properties	157,143	507,865
Buildings	—	36,076
Prepaid lease payments	65,414	194,866
Properties under development	21,637,628	13,792,049
Properties held for sale	2,719,388	3,017,770
Bank deposits	329,237	785,305
	<u>28,613,096</u>	<u>21,143,594</u>

In addition to above pledge of assets, at 31st December, 2017 and 2016, the Group's interests in certain subsidiaries were pledged to secure credit facilities granted to the Group. The details of net assets value of subsidiaries are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Total assets	12,823,267	9,413,596
Total liabilities	<u>(12,999,927)</u>	<u>(8,486,520)</u>
Net (liabilities)/assets	<u>(176,660)</u>	<u>927,076</u>

46. RETIREMENT BENEFIT SCHEMES

The Company and its subsidiaries in Hong Kong operate a defined contribution retirement benefit scheme for their qualified employees pursuant to the Occupational Retirement Schemes Ordinance. The assets of the scheme are held separately in a fund which is under the control of an independent trustee. The retirement benefit scheme contributions charged to the consolidated statement of profit or loss represent the contributions payable by the Group to the fund at rates specified in the rules of the scheme. When there are employees who leave the scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

To comply with the Mandatory Provident Fund Schemes Ordinance (the "MPFO"), the Group also participates in a Mandatory Provident Fund scheme ("MPF Scheme") for its qualified employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the MPFO. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The employees in the subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

At the end of the reporting period, there was no significant forfeited contributions, which arose upon employees leaving the retirement benefit scheme, available to reduce the contribution payable in the future years.

The total cost charged to consolidated statement of profit or loss approximately HK\$146,944,000 (2016: HK\$132,179,000) represents contributions payable to the schemes by the Group during the year.

47. RELATED PARTY TRANSACTIONS

(a) Transactions and balances with China Poly Group

The following is a summary of principal related party transactions and balances entered into by the Group with China Poly Group Corporation and its subsidiaries, apart from transactions and balances disclosed in notes 20, 21, 29, 30 and 31. Several transactions also constitute continuing connected transactions as defined under Chapter 14A of Listing Rules.

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Transactions:			
Construction services fee	(i)	187,676	399,535
Property rental income	(ii)	15,474	14,042
Interest expenses	(iii)	96,599	115,582
Guarantee charges	(iv)	12,280	15,331
Management fee income		1,278	1,104
Rental expenses paid		2,427	2,380
Dividend income		6,468	57,512
Investment cost		—	201,903

Notes:

- (i) The amount represents the construction services fee paid or payable to China Poly Group for the construction services in respect of property development projects.
- (ii) The amount represents rental income received for the theatres which made with reference to market price.
- (iii) The interest expenses derived from the loans advanced from China Poly Group. Details of the terms are set out in notes 29 and 30.

- (iv) The guarantee charges paid to China Poly Group for acting as a guarantor of bank loans borrowed by subsidiaries of the Group and it was charged at 1% on the maximum guarantee amount.

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Balances:			
Bank balances and deposits	(i)	482,802	458,028
Amount due from an associate	(ii)	100,371	37,078
Bank and other borrowings	(iii)	744,841	1,217,977

Notes:

- (i) The amount represents the deposits placed by the Group with China Poly Group.
- (ii) Details of the terms are set out in note 20.
- (iii) The amount represents loan from China Poly Group, which was unsecured, carried interest at a variable rate of 105% to 110% of benchmark rate in the PRC and a fixed rate of range from 5.5% to 6% and repayable within two years.
- (iv) The balance with the ultimate holding company, an intermediate holding company and fellow subsidiaries are set out in notes 29, 30 and 31.

(b) Transactions and balances with other related parties

During the year, the Group entered into the following transactions with related parties other than China Poly Group:

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Transactions:			
Interest income	(i)	210,788	185,020
Interest expenses	(ii)	154,223	97,191

Notes:

- (i) The amount represents the interest income from loans to an associate, joint ventures and non-controlling shareholder of subsidiaries. Details of the terms are set out in notes 20, 21 and 32.
- (ii) The amount represents the interest paid to non-controlling shareholders of subsidiaries and a joint venture. Details of the terms are set out in note 21 and 32.

(c) Material transactions with other state-controlled entities in the PRC

Part of the Group's operations is carried out in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under China Poly which is controlled by the PRC government. Apart from the transactions with China Poly, other connected persons and related parties disclosed in this note, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not.

Material transactions/balances with other state-controlled entities are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Transactions:		
Trade sales	65,178	68,712
Trade purchases	<u>13,790</u>	<u>10,065</u>

In view of the nature of the Group's hotel operating business, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions were with other state-controlled entities.

In addition, the Group has entered into various transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

(d) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Short-term benefits	37,087	34,151
Post-employment benefits	<u>932</u>	<u>814</u>
	<u>38,019</u>	<u>34,965</u>

The emoluments of key management were within the following bands:

	2017	2016
	<i>Number of</i>	<i>Number of</i>
	<i>employee</i>	<i>employee</i>
HK\$2,000,001 to HK\$3,000,000	—	1
HK\$3,000,001 to HK\$4,000,000	6	7
HK\$4,000,001 to HK\$5,000,000	<u>3</u>	<u>1</u>

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31ST DECEMBER, 2017

	2017	2016
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Interests in subsidiaries	589,794	589,794
Amounts due from subsidiaries	22,307,446	22,163,754
Available-for-sale investments	<u>280,281</u>	<u>280,281</u>
Total non-current assets	<u>23,177,521</u>	<u>23,033,829</u>
Current assets		
Other receivables	100,054	66,574
Amount due from subsidiaries	3,796,442	3,643,271
Bank balances, deposits and cash	<u>935,179</u>	<u>1,829,800</u>
Total current assets	<u>4,831,675</u>	<u>5,539,645</u>
Current liabilities		
Other payables	44,703	38,584
Notes payable	3,900,000	—
Amounts due to subsidiaries	159,027	271,747
Bank borrowings — due within one year	<u>—</u>	<u>3,971,584</u>
Total current liabilities	<u>4,103,730</u>	<u>4,281,915</u>
Net current assets	<u>727,945</u>	<u>1,257,730</u>
Total assets less current liabilities	<u>23,905,466</u>	<u>24,291,559</u>

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Capital and reserves			
Share capital	37	17,685,677	17,685,677
Reserves		2,319,789	2,705,882
Total equity		20,005,466	20,391,559
Non-current liabilities			
Bank borrowings — due after one year		3,900,000	—
Notes payable		—	3,900,000
Total non-current liabilities		3,900,000	3,900,000
		23,905,466	24,291,559

The reserves of the Company are as follows:

	Accumulated profits HK\$'000
Balance at 1st January, 2016	2,864,398
Loss for the year	<u>(158,516)</u>
Balance at 31st December, 2016	<u><u>2,705,882</u></u>
Balance at 1st January, 2017	2,705,882
Loss for the year	<u>(386,093)</u>
Balance at 31st December, 2017	<u><u>2,319,789</u></u>

Notes:

- (a) As at 31st December, 2017, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$2,319,789,000 (2016: HK\$2,705,882,000).
- (b) The consolidated profit attributable to owners of the Company includes a loss of HK\$386,093,000 (2016: loss of HK\$158,516,000) which has been dealt with in the financial statements of the Company.

49. DIVIDENDS

No interim dividend was paid for both years.

The directors of the Company recommend the payment of a final dividend of HK\$0.135 per share (2016: HK\$ nil) for the year ended 31st December, 2017.

50. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2017 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Particulars of issued and paid up capital/registered capital	Attributable portion of the issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
Able Lucky Development Limited	Hong Kong	1 ordinary share	—	100%	Property development
Bassington Investments Limited	Hong Kong	2 ordinary shares	—	100%	Property investment
Big Nice Development Limited	Hong Kong	1 ordinary share	—	100%	Property development
Big Support Limited	British Virgin Islands	US\$1	—	100%	Investment holding
CMIC Finance Limited	Hong Kong	2 ordinary shares	100%	—	Financial services
CMIC Management Services Limited	Hong Kong	100 ordinary shares	100%	—	Management services
Fainland Limited	Hong Kong	2 ordinary shares	—	100%	Property investment
First Great Investments Limited	Hong Kong	2 ordinary shares	—	100%	Investment holding
Geldy Limited	Hong Kong	1,000 ordinary shares	—	100%	Property investment
Grandful International Limited	Hong Kong	2 ordinary shares	—	100%	Investment holding
High Wealth International Limited	Hong Kong	2 ordinary shares	—	100%	Property investment
Honorlink Investments Limited	Hong Kong	2 ordinary shares	—	100%	Property investment
Hubei Poly Hotel Company Limited ("Hubei Poly") (note i)	PRC	Registered capital RMB62,000,000	—	100%	Investment, management and operation of a hotel
Johnsbury Limited	British Virgin Islands	US\$9,600,000	100%	—	Investment holding
Poly Plaza Limited ("PPL") (note ii)	PRC	Registered capital US\$10,000,000	—	75%	Investment, management and operation of a hotel complex
Polystar Digidisc Co., Ltd. ("Polystar") (note iii)	PRC	Registered capital RMB9,000,000	—	66%	Manufacturing and wholesaling of compact discs, video compact discs and digital video discs
Poly (Hong Kong) Property Developments Limited	Hong Kong	1 ordinary share	—	100%	Investment holding

Name of subsidiary	Place of incorporation/ establishment	Particulars of issued and paid up capital/registered capital	Attributable portion of the issued share capital/registered capital held by the Company		Principal activity
			Directly	Indirectly	
Poly (Hong Kong) Real Estate Limited	Hong Kong	1 ordinary share	—	100%	Investment holding
Poly Treasure Holdings Limited	Hong Kong	50,000,000 ordinary shares	100%	—	Inactive
Prime Brilliant Limited	Hong Kong	2 ordinary shares	—	100%	Property investment
Propwood Limited	Hong Kong	2 ordinary shares	—	100%	Property investment
Rapid Bloom Limited	British Virgin Islands	US\$1	—	100%	Investment holding
Saneble Limited	Hong Kong	2 ordinary shares	—	100%	Property investment
Smart Best Investments Limited	Hong Kong	1 ordinary share	—	100%	Investment holding
保利置業集團有限公司 (note i)	PRC	Registered capital RMB2,200,000,000	—	100%	Investment holding
上海浦利房地產發展有限公司 (note i)	PRC	Registered capital US\$24,000,000	—	100%	Property investment
上海忻利房地產發展有限公司	PRC	Registered capital RMB15,000,000	—	100%	Property investment
上海夢苑房地產有限公司	PRC	Registered capital RMB5,000,000	—	100%	Property investment and investment holding
上海保利廣場資產管理有限公司	PRC	Registered capital RMB200,000,000	—	100%	Property investment
上海保利佳房地產有限公司	PRC	Registered capital RMB150,000,000	—	100%	Property development
上海保利花木有限公司	PRC	Registered capital RMB1,000,000	—	100%	Property development
上海保利物業酒店管理集團有限公司	PRC	Registered capital RMB50,000,000	—	100%	Property management
上海保利金鵬置業有限公司	PRC	Registered capital RMB20,000,000	—	50.10%	Investment holding
上海保鑫置業有限公司	PRC	Registered capital RMB15,000,000	—	50.10%	Property development
上海保利銳馳房地產經紀有限公司	PRC	Registered capital RMB5,000,000	—	100%	Property agency

Name of subsidiary	Place of incorporation/ establishment	Particulars of issued and paid up capital/registered capital	Attributable portion of the issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
上海賢豐房地產開發有限責任公司	PRC	Registered capital RMB10,000,000	—	100%	Property development
上海保利茂佳房地產開發有限公司	PRC	Registered capital RMB50,000,000	—	100%	Property development
上海保利和佳房地產開發有限公司	PRC	Registered capital RMB50,000,000	—	100%	Property development
上海保利隆佳房地產開發有限公司	PRC	Registered capital RMB50,000,000	—	100%	Property development
上海保利翔佳房地產開發有限公司	PRC	Registered capital RMB50,000,000	—	100%	Property development
上海保利盛茂置業有限公司	PRC	Registered capital RMB50,000,000	—	100%	Property development
上海盈佳資產經營管理有限公司	PRC	Registered capital RMB100,000,000	—	100%	Property development
上海盛淞資產管理有限公司	PRC	Registered capital RMB200,000,000	—	100%	Property development
保利置業集團(上海)投資有限公司	PRC	Registered capital RMB580,000,000	—	100%	Investment holding
上海盛沅投資管理有限公司	PRC	Registered capital RMB100,000,000	—	100%	Investment holding
上海保利物產經營管理有限公司	PRC	Registered capital RMB208,170,000	—	100%	Property investment
湖北保利置業有限公司	PRC	Registered capital RMB100,000,000	—	100%	Property development and investment holding
湖北保利建築工程有限公司	PRC	Registered capital RMB120,000,000	—	100%	Provision of construction service
湖北保利投資有限公司	PRC	Registered capital RMB100,000,000	—	100%	Property development and investment holding
湖北保利普提金置業有限公司	PRC	Registered capital RMB50,000,000	—	68%	Property development
武漢眾和置業有限公司	PRC	Registered capital RMB41,200,000	—	55%	Property development

Name of subsidiary	Place of incorporation/ establishment	Particulars of issued and paid up capital/registered capital	Attributable portion of the issued share capital/registered capital held by the Company		Principal activity
			Directly	Indirectly	
武漢聯業科技開發有限責任公司	PRC	Registered capital RMB100,000	—	100%	Property investment
武漢長江保資控股有限公司	PRC	Registered capital RMB100,000,000	—	100%	Property management
重慶保利小泉實業有限公司	PRC	Registered capital RMB80,000,000	—	51%	Property development
北京花園別墅有限公司	PRC	Registered capital RMB91,656,147	—	51%	Property investment
廣東保利置業有限公司	PRC	Registered capital RMB300,000,000	—	100%	Investment holding
佛山市保利置業有限公司 (note i)	PRC	Registered capital RMB30,000,000	—	100%	Property development
廣州保利南方置業有限公司	PRC	Registered capital RMB30,000,000	—	51%	Property development
佛山市盈奧投資發展有限公司	PRC	Registered capital RMB30,000,000	—	100%	Property development
佛山市保信置業有限公司 (note i)	PRC	Registered capital USD50,000,000	100%	—	Property development
廣州保盈置業有限公司	PRC	Registered capital RMB50,000,000	—	100%	Property development
廣州保利置業有限公司	PRC	Registered capital RMB101,800,000	—	51%	Property development
廣州保航房地產開發有限公司	PRC	Registered capital RMB30,000,000	—	100%	Property development
廣州東灝房地產開發有限公司	PRC	Registered capital RMB100,000,000	—	55%	Property development
廣州保雅置業有限公司	PRC	Registered capital RMB50,000,000	—	100%	Property development
廣州保睿地產銷售代理有限公司	PRC	Registered capital RMB30,000,000	—	85%	Property development
佛山市保邑置業有限公司	PRC	Registered capital RMB30,000,000	—	100%	Property development

Name of subsidiary	Place of incorporation/ establishment	Particulars of issued and paid up capital/registered capital	Attributable portion of the issued share capital/registered capital held by the Company		Principal activity
			Directly	Indirectly	
惠州保利龍勝房地產開發有限公司	PRC	Registered capital RMB100,000,000	—	80%	Property development
惠州市保利建業房地產開發有限公司	PRC	Registered capital RMB88,926,900	—	70%	Property development
深圳市保利房地產開發有限公司	PRC	Registered capital RMB100,000,000	—	100%	Investment holding
深圳市保利置地房地產開發有限公司	PRC	Registered capital RMB50,000,000	—	70%	Property development
深圳市保銀房地產開發有限公司	PRC	Registered capital RMB50,000,000	—	51%	Property development
深圳市保潤南山房地產開發有限公司	PRC	Registered capital RMB10,000,000	—	51%	Property development
深圳市保龍實業有限公司	PRC	Registered capital RMB10,000,000	—	100%	Investment holding
深圳市保聯實業有限公司	PRC	Registered capital RMB10,000,000	—	100%	Investment holding
深圳市雅豪園投資有限公司	PRC	Registered capital RMB200,000,000	—	70%	Property development
深圳市保利文化廣場有限公司	PRC	Registered capital RMB150,000,000	—	100%	Property investment and management
保利貴州置業集團有限公司	PRC	Registered capital RMB200,000,000	—	100%	Investment holding
貴陽保利海明房地產開發有限公司	PRC	Registered capital RMB50,000,000	—	100%	Property development
貴陽保利投資房地產開發有限公司	PRC	Registered capital RMB20,000,000	—	100%	Property development
保利貴州房地產開發有限公司	PRC	Registered capital RMB100,000,000	—	66.50%	Property development
保利貴州溫泉經營管理有限公司	PRC	Registered capital RMB3,000,000	—	66.50%	Hot spring operation
貴陽保利房地產開發有限公司	PRC	Registered capital RMB50,000,000	—	66.50%	Property development

Name of subsidiary	Place of incorporation/ establishment	Particulars of issued and paid up capital/registered capital	Attributable portion of the issued share capital/registered capital held by the Company		Principal activity
			Directly	Indirectly	
貴陽保利龍谷房地產開發有限公司	PRC	Registered capital RMB50,000,000	—	66.50%	Property development
貴陽保利酈城房地產開發有限公司	PRC	Registered capital RMB50,000,000	—	51%	Property development
貴陽保利鐵投房地產開發有限公司	PRC	Registered capital RMB50,000,000	—	50%	Property development
貴陽遵義保利置業有限公司 (note v)	PRC	Registered capital RMB50,000,000	—	35%	Property development
黑龍江保利澳娛房地產開發有限公司 (“保利澳娛”) (note iv)	PRC	Registered capital RMB100,000,000	—	58%	Property development
保利置業集團黑龍江有限公司	PRC	Registered capital RMB50,000,000	—	100%	Property development
哈爾濱保利房地產綜合開發 有限責任公司	PRC	Registered capital RMB50,000,000	—	51%	Property development
哈爾濱眾匯房地產發展有限公司	PRC	Registered capital RMB20,000,000	—	100%	Property development
哈爾濱寶輝房地產發展有限公司	PRC	Registered capital RMB20,000,000	—	100%	Property development
哈爾濱星聯房地產發展有限公司	PRC	Registered capital RMB20,000,000	—	100%	Property development
哈爾濱保利鑫房地產開發有限公司	PRC	Registered capital RMB20,000,000	—	100%	Property development
哈爾濱東安航空零部件製造 有限公司	PRC	Registered capital RMB10,000,000	—	100%	Property development
保利山東置業集團有限公司	PRC	Registered capital RMB340,000,000	—	100%	Investment holding
山東保利嘉園置業有限公司	PRC	Registered capital RMB50,000,000	—	80%	Property development
山東保利花園房地產開發有限公司	PRC	Registered capital RMB10,000,000	—	100%	Property development
山東保利芙蓉房地產開發有限公司	PRC	Registered capital RMB10,000,000	—	100%	Property development

Name of subsidiary	Place of incorporation/ establishment	Particulars of issued and paid up capital/registered capital	Attributable portion of the issued share capital/registered capital held by the Company		Principal activity
			Directly	Indirectly	
濟南保利置業有限公司	PRC	Registered capital RMB237,306,206	—	100%	Property development
濟南保利房地產開發有限公司	PRC	Registered capital RMB200,000,000	—	85%	Property development
煙台保利置業有限公司	PRC	Registered capital RMB100,000,000	—	100%	Property development
威海保利置業有限公司	PRC	Registered capital RMB100,000,000	—	100%	Property development
威海利川置業有限公司	PRC	Registered capital RMB30,000,000	—	70%	Property development
濟南保利城置業有限公司	PRC	Registered capital RMB50,000,000	—	80%	Property development
煙台利發置業有限公司	PRC	Registered capital RMB50,000,000	—	55%	Property development
濟南振邦商貿有限公司	PRC	Registered capital RMB35,500,000	—	70%	Property development
濟南保利文昌置業有限公司	PRC	Registered capital RMB16,670,000	—	60%	Property development
濟南盛利置業有限公司	PRC	Registered capital RMB10,000,000	—	51%	Property development
煙台綠科置業有限公司	PRC	Registered capital RMB100,000,000	—	70%	Property development
淄博保利置業有限公司	PRC	Registered capital RMB10,000,000	—	100%	Property development
淄博貝瑞置業有限公司	PRC	Registered capital RMB10,000,000	—	65%	Property development
淄博保利大成置業有限公司	PRC	Registered capital RMB10,000,000	—	65%	Property development
保利雲南置業有限公司	PRC	Registered capital RMB180,000,000	—	100%	Investment holding
保利雲南房地產開發有限公司	PRC	Registered capital RMB100,000,000	—	80%	Investment holding

Name of subsidiary	Place of incorporation/ establishment	Particulars of issued and paid up capital/registered capital	Attributable portion of the issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
安寧保利房地產開發有限公司	PRC	Registered capital RMB10,000,000	—	80%	Property development
雲南美城房地產開發有限公司	PRC	Registered capital RMB50,000,000	—	90%	Property development
安寧保利投資有限公司	PRC	Registered capital RMB10,000,000	—	100%	Property development
昆明保利房地產開發有限公司	PRC	Registered capital RMB100,000,000	—	73%	Property development
廣西保利置業集團有限公司	PRC	Registered capital RMB250,000,000	—	100%	Investment holding
廣西保利房地產有限責任公司	PRC	Registered capital RMB150,000,000	—	100%	Property development
南寧新湄公河房地產有限公司	PRC	Registered capital RMB10,000,000	—	100%	Property development
南寧市新保越房地產有限公司	PRC	Registered capital RMB10,000,000	—	100%	Property development
廣西保利龍湖藍灣發展有限公司	PRC	Registered capital RMB50,000,000	—	100%	Property development
柳州保利置業有限公司	PRC	Registered capital RMB100,000,000	—	100%	Property development
廣西嶺灣投資有限公司	PRC	Registered capital RMB10,000,000	—	100%	Investment holding
廣西南寧領新房地產有限公司	PRC	Registered capital RMB1,000,000	—	100%	Property development
廣西悅灣投資有限公司	PRC	Registered capital RMB10,000,000	—	100%	Investment holding
廣西秀程房地產有限公司	PRC	Registered capital RMB5,000,000	—	100%	Property development
廣西保嶺投資有限公司	PRC	Registered capital RMB10,000,000	—	100%	Investment holding
廣西領悅房地產有限公司	PRC	Registered capital RMB5,000,000	—	100%	Property development

Name of subsidiary	Place of incorporation/ establishment	Particulars of issued and paid up capital/registered capital	Attributable portion of the issued share capital/registered capital held by the Company		Principal activity
			Directly	Indirectly	
廣西利嶺投資有限公司	PRC	Registered capital RMB10,000,000	—	100%	Investment holding
廣西鐵投三岸投資有限公司	PRC	Registered capital RMB10,000,000	—	100%	Property development
寧波保利置業有限公司 <i>(note i)</i>	PRC	Registered capital HK\$1,459,000,000	—	100%	Property development
寧波保信置業有限公司	PRC	Registered capital RMB50,000,000	—	100%	Property development
德清保利置業有限公司	PRC	Registered capital RMB262,665,000	—	100%	Property development
德清保興置業有限公司	PRC	Registered capital RMB10,000,000	—	100%	Property development
余姚保利置業有限公司 <i>(note i)</i>	PRC	Registered capital HK\$1,100,000,000	—	100%	Property development
保利(蘇州)置業有限公司	PRC	Registered capital RMB1,600,000,000	—	100%	Investment holding
蘇州保利房地產開發有限公司	PRC	Registered capital RMB1,200,000,000	—	100%	Property development
蘇州保利隆威置業有限公司	PRC	Registered capital RMB328,623,800	—	100%	Property development
蘇州保利隆勝置業有限公司	PRC	Registered capital RMB329,108,480	—	100%	Property development
蘇州和茂置業有限公司	PRC	Registered capital RMB50,000,000	—	100%	Property development
蘇州保利隆茂置業有限公司 <i>(note i)</i>	PRC	Registered capital HK\$380,000,000	—	100%	Property development
萬寧騰遠發展有限公司 <i>(note i)</i>	PRC	Registered capital US\$35,000,000	—	100%	Property development
海南帝港置業有限公司 <i>(note i)</i>	PRC	Registered capital HK\$280,000,000	—	100%	Property development

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

- (i) These companies are a wholly foreign owned enterprise in the PRC.
- (ii) PPL is a Sino-foreign joint venture company established in the PRC for a renewal term of 50 years commencing 9th July, 2003.
- (iii) Polystar is a Sino-foreign joint venture company established in the PRC for a term of 20 years commencing 18th December, 2000.
- (iv) 保利澳娛 is a Sino-foreign joint venture company established in the PRC for a term of 20 years commencing 29th December, 2004.
- (v) The Group holds 50% equity interest in 貴陽保利鐵投房地產開發有限公司 (「貴陽保利鐵投」), which holds 70% equity interest in 遵義保利置業有限公司 (「遵義保利」). As a result, the Group holds 35% effective equity interest in 遵義保利. According to the articles of association of 貴陽保利鐵投 and 遵義保利, the Group is entitled to appoint three out of five directors in the board of directors of each of such companies. As a result, the Group has control over 貴陽保利鐵投 and 遵義保利, which were accounted for as subsidiaries of the Company in November, 2015.

The directors of the Company are of the opinion that none of the Group's subsidiaries that has non-controlling interests are material to the consolidated financial statement as a whole, and therefore, the financial information in respect of those subsidiaries that has non-controlling interests are not presented.

51. 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

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and joint ventures, deferred tax assets and other corporate assets. Segment liabilities included trade payable, accruals and deposits received attributable to the individual segment and other borrowings managed directly by the segments with the exception of other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment result is “adjusted EBIT” i.e. adjusted earnings before interest and taxes. To arrive at adjusted EBIT, the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as share of results of associates and joint ventures, gain on disposal of interests in subsidiaries, directors’ and auditor’s remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation, impairment losses and additions to non-current segment assets used by the segments in their operations.

Information about these segments is presented below:

For the year ended 31st December, 2017

	Property development business <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue						
External revenue	29,957,423	1,456,841	196,758	92,020	—	31,703,042
Inter-segment revenue*	—	203,576	—	—	(203,576)	—
Total revenue	<u>29,957,423</u>	<u>1,660,417</u>	<u>196,758</u>	<u>92,020</u>	<u>(203,576)</u>	<u>31,703,042</u>
Segment results	<u>4,006,911</u>	<u>337,588</u>	<u>(30,128)</u>	<u>3,768</u>	<u>—</u>	<u>4,318,139</u>
Unallocated income						582,730
Unallocated expenses						(86,159)
Gain on step-up acquisition of a subsidiary	848,352	—	—	—	—	848,352
Finance costs		—	—	—	—	(961,878)
Share of results of associates	(10,083)	—	—	—	—	(10,083)
Share of results of joint ventures	197,548	—	—	540	—	<u>198,088</u>
Profit before income tax expense						4,889,189
Income tax expense						<u>(2,322,549)</u>
Profit for the year						<u>2,566,640</u>

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

Assets and liabilities

As at 31st December, 2017

	Property development business <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets					
Segment assets	87,949,525	11,511,551	1,336,220	511,842	101,309,138
Interests in associates	298,155	—	—	—	298,155
Interests in joint ventures	3,954,970	—	—	1,982	3,956,952
Unallocated corporate assets					<u>23,214,239</u>
Total assets					<u>128,778,484</u>
Liabilities					
Segment liabilities	45,760,760	1,541,377	207,151	46,376	47,555,664
Unallocated corporate liabilities					<u>50,406,239</u>
Total liabilities					<u>97,961,903</u>
Other information					
Capital expenditure	17,326	8,647	3,947	4,407	34,327
Depreciation	37,201	28,110	54,865	4,774	124,950
Amortisation of prepaid lease payments	<u>1,272</u>	<u>1,051</u>	<u>7,700</u>	<u>137</u>	<u>10,160</u>

For the year ended 31st December, 2016

	Property development business <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	<u>29,105,716</u>	<u>1,427,053</u>	<u>189,032</u>	<u>105,248</u>	<u>(246,723)</u>	<u>30,580,326</u>
Segment results	<u>2,516,149</u>	<u>386,814</u>	<u>(9,434)</u>	<u>61,272</u>	<u>—</u>	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						<u>221,172</u>

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

Assets and liabilities

As at 31st December, 2016

	Property development business <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
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					<u>20,354,274</u>
Total assets					<u><u>122,073,037</u></u>
Liabilities					
Segment liabilities	43,070,566	1,192,501	190,776	63,035	44,516,878
Unallocated corporate liabilities					<u>50,574,100</u>
Total liabilities					<u><u>95,090,978</u></u>
Other information					
Capital expenditure	28,990	5,086	2,846	3,076	39,998
Depreciation	42,486	24,408	57,609	3,402	127,905
Impairment loss on goodwill	281,331	—	—	—	281,331
Impairment loss on properties under development and held for sale	86,207	—	—	—	86,207
Amortisation of prepaid lease payments	<u>1,663</u>	<u>1,051</u>	<u>7,786</u>	<u>136</u>	<u>10,636</u>

An analysis of the Group's revenue by geographical location of its customers is presented below:

	Hong Kong and Others		PRC		Total	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>7,134</u>	<u>7,320</u>	<u>31,695,908</u>	<u>30,573,006</u>	<u>31,703,042</u>	<u>30,580,326</u>

The following is an analysis of the carrying amount of specified non-current assets, segment assets and capital expenditure analysed by the geographical area in which the assets are located.

	Hong Kong and Others		PRC		Total	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Specified non-current assets	462,274	305,576	18,908,522	19,013,186	19,370,796	19,318,762
Segment assets	11,500,492	9,196,353	113,022,885	110,320,423	124,523,377	119,516,776
Capital expenditure	<u>10,144</u>	<u>21,612</u>	<u>24,183</u>	<u>18,386</u>	<u>34,327</u>	<u>39,998</u>

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue (2016: none).

52. ACQUISITION OF SUBSIDIARIES

During the year ended 31st December, 2017, the Group acquired nine companies which are engaged in property development and management and construction in the PRC. The acquisition from independent third parties for an aggregate consideration of RMB3,499,709,000 (equivalent to HK\$4,166,320,000). Those transactions have been accounted for using the acquisition method. These subsidiaries were acquired so as to provide human resources, economies of scale and synergy to the Group.

Name of entity	Date of acquisition	% of interest acquired
廣西領悅房地產有限公司 (「領悅房地產」)	February 2017	100%
廣西秀程房地產有限公司	February 2017	100%
廣西南寧領新房地產有限公司	February 2017	100%
廣西三岸房地產有限公司	February 2017	100%
哈爾濱東安航空零部件製造有限公司	July 2017	100%
濟南盛利置業有限公司	August 2017	51%
濟南振邦商貿有限公司	August 2017	100%
深圳市保銀房地產開發有限公司	September 2017	51%
淄博貝瑞置業有限公司	December 2017	65%

The information for these acquisitions was disclosed on an aggregated basis as they were individually immaterial to the Group.

	領悅房地產 HK\$'000	Others HK\$'000	Total amount recognised at the date of acquisition HK\$'000
Fair value of net identifiable assets of the subsidiaries acquired:			
Property, plant and equipment	—	5,273	5,273
Properties under development	1,709,025	3,278,442	4,987,467
Trade receivable	—	538	538
Other receivable	—	33,562	33,562
Cash and bank balances	4,970	106,520	111,490
Trade payable	—	(18)	(18)
Other payable	—	(934,980)	(934,980)
	<u>1,713,995</u>	<u>2,489,337</u>	<u>4,203,332</u>
Net assets acquired	1,713,995	2,489,337	4,203,332
Less: Non-controlling interests	—	(37,012)	(37,012)
	<u>1,713,995</u>	<u>2,452,325</u>	<u>4,166,320</u>
Total consideration satisfied by:			
Cash	702,277	1,045,474	1,747,751
Deposits paid for acquisition of subsidiaries	1,011,718	1,369,234	2,380,952
Other payable	—	37,617	37,617
	<u>1,713,995</u>	<u>2,452,325</u>	<u>4,166,320</u>
Net cash outflow on acquisition of subsidiaries:			
Cash	(702,277)	(1,045,474)	(1,747,751)
Bank balances and cash acquired	4,970	106,520	111,490
	<u>(697,307)</u>	<u>(938,954)</u>	<u>(1,636,261)</u>

The non-controlling interests recognised at the dates of acquisitions were measured by reference to the proportionate share of the recognised value of the net identifiable assets of the respective subsidiaries of the acquirees at the dates of acquisitions and amounted to HK\$37,012,000.

In December, 2017, the Group acquired additional 50% equity interest of 上海盛衍投资管理有限公司 (「上海盛衍」) at the consideration of RMB330,000,000 (approximately HK\$379,310,000). 上海盛衍 was previously a joint venture of the Group.

Details of the net assets acquired in respect of the above transaction are summarised below:

	HK\$'000	HK\$'000
Net assets acquired:		
Investment in a joint venture		1,449,718
Cash and bank balances		164
Amount due to an intermediate holding company		<u>(575)</u>
		1,449,307
Transferred from interests previously held and classified as joint venture		(221,645)
Gain on step-up acquisition of a subsidiary		
–Gain on remeasurement of joint venture to acquisition date fair value	(503,009)	
–Gain on bargain purchase	<u>(345,343)</u>	<u>(848,352)</u>
		<u>379,310</u>
Total consideration satisfied by:		
Cash		<u><u>379,310</u></u>
Net cash outflow on acquisition:		
Cash paid		(379,310)
Cash and bank balances in the subsidiary acquired		<u>164</u>
		<u><u>(379,146)</u></u>

Gain on bargain purchase was mainly due to the fact that the seller had the intention to exit from his investment in the acquired business due to his business reasons.

Included in the profit for the year is HK\$99,354,000 attributable to the additional business generated by the acquirees. Revenue for the year includes HK\$15,000 generated from the acquirees. Had the acquisition been completed on 1st January, 2017, the Group's revenue for the year would have been HK\$31,703,027,000, and profit for the year would have been HK\$2,467,286,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2017, nor is it intended to be a projection of future results.

In October, 2016, the Group acquired an additional 36% equity interest of 廣州保睿 at the consideration of RMB13,586,000 (approximately HK\$15,617,000). 廣州保睿 was previously an associate of the Group. After the acquisition, the Group held an effective interest of 85% of 廣州保睿.

Details of the net assets acquired in respect of the above transactions are summarised below:

	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	327
Deferred tax assets	4,263
Properties under development	5,285,692
Trade and other receivables	135,114
Bank balances, deposits and cash	390,140
Trade and other payables	(2,654,373)
Pre-sale deposits	(1,549,622)
Bank and other borrowings	<u>(1,568,161)</u>
	43,380
Non-controlling interests	<u>(6,507)</u>
	36,873
Less:	
Gain on re-measurement of an associate to acquisition date fair value	<u>(21,256)</u>
	<u><u>15,617</u></u>
Total consideration satisfied by:	
Cash	<u><u>15,617</u></u>
Net cash flow arising on acquisition:	
Cash paid	(15,617)
Bank balances and cash acquired	<u>390,140</u>
	<u><u>374,523</u></u>

53. DISPOSAL OF A SUBSIDIARY

In December 2016, the Group entered into a sale and purchase agreement with a third party to dispose of its 70% equity interest in 武漢常陽潤力, which is engaged in property development, at a consideration of RMB355,000,000 (approximately HK\$408,046,000). The effect of partial disposal of interest in 武漢常陽潤力 results in loss of control on 武漢常陽潤力. The disposal was completed on 20th December, 2016.

Details of the net assets of 武漢常陽潤力 as at the date of disposal in respect of the above transaction are summarised below:

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	144
Deferred tax assets	6,848
Properties under development	2,641,622
Trade and other receivables	3,917
Bank balances, deposits and cash	396,635
Trade and other payables	(162,148)
Pre-sale deposits	(447,734)
Amount due to related companies	(1,006,266)
Bank and other borrowings	(1,494,253)
Net assets disposed of	(61,235)
Gain on disposal of a subsidiary	644,158
Total consideration	582,923
Total consideration satisfied by:	
Cash received	408,046
Interest in a joint venture	174,877
	582,923
Net cash flow arising on disposal:	
Cash received	408,046
Bank balances and cash disposed of	(396,635)
	11,411

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK13.5 cents per share (2016: HK\$Nil) for the year ended 31st December, 2017. The proposed final dividend is subject to the approval by the Company's shareholders at the forthcoming annual general meeting and will be paid on or around 28th June, 2018 to the shareholders whose names appear on the register of members of the Company on 14th June, 2018 if this proposal.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12th June, 2018 to 14th June, 2018 (both dates inclusive), during which period no share transfer will be registered. In order to establish the identity of the Shareholders who are entitled to the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 11th June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the year ended 31st December, 2017 (the "Year"), the Group recorded a revenue of HK\$31,703,042,000 (2016: HK\$30,580,326,000), representing an increase of 3.7% when comparing to the corresponding period of last year. Profit attributable to shareholders amounted to HK\$2,462,061,000 (2016: HK\$80,745,000), while basic and diluted earnings per share were HK67.24 cents (2016: HK2.21 cents). The Directors of the Company recommended the payment of a final dividend of HK13.5 cents per share.

As at 31st December, 2017, shareholders' equity of the Group reached HK\$28,296,364,000 (as at 31st December, 2016: HK\$24,696,715,000), along with a net asset value per share of HK\$7.73 (as at 31st December, 2016: HK\$6.74).

PROPERTY DEVELOPMENT

During the Year, the total GFA of newly commenced construction of Poly Property Group (the Group, together with its joint ventures and associated companies), was approximately 2,370,000 square metres. The total contracted area sold amounted to approximately 2,640,000 square metres. There were 58 continual launches and four debut launches during the Year. The GFA of the completed construction for the Year was approximately 3,070,000 square metres. As at 31st December, 2017, Poly Property Group had 78 projects in various phases, covering a total GFA of projects under construction and projects under planning of approximately 20,240,000 square metres.

PROPERTY SALES

In 2017, the Chinese real estate market faced a more stringent control. In addition to continuing its strategy of “City-specific Policies” and “destocking”, the Central Government emphasised “Houses are for living but not for speculating” for the real estate market in the future. Under austerity measures of “five restrictions”, the transaction amount decreased in major cities, in particular first-tier cities. Benefiting from the policy of destocking and shed reform monetisation, third-tier and fourth-tier cities have become a major driver of the sales volume in the PRC. In respect of pricing, according to the selling prices of residential properties in 70 major and medium cities published by the National Bureau of Statistics, the prices of newly built residential properties in major cities were stable in general and the real estate has gradually returned to a rational level.

During the Year, the Group proactively coped with difficulties and challenges in the real estate market. By persisting on its general principle of “steady growth, structural adjustment, reform facilitation and building-up of a new landscape of development”, the Group have put more efforts in its business development. In the past two years, the Company emphasised on its marketing strategies and premiums of its projects and strived to balance the relationship between pricing and sell-through rate. By seizing the opportunities brought from the policies regarding third-tier and fourth-tier cities, the Company further optimised its inventory and land reserve. Regional companies focused on identifying major deficiencies, building the brand, promoting new project and reducing inventories, in order to realise a comprehensive breakthrough in their operating results. In 2017, Poly Property Group recorded contracted sales (including tax) of approximately RMB40.2 billion with contracted area sold of approximately 2,640,000 square metres.

In 2017, the Company proactively conformed to the market cycle by grasping market opportunities in some non-major province capitals or cities and promoting the sales of projects in southwestern region, including Nanning Poly Town, Guiyang Poly Phoenix Bay and Kunming Poly One Family One World. The sell-through rate of projects in southwestern region achieved 75% and the prices of certain projects recorded significant increases in the year. In addition, Vibe Centro, the first Hong Kong residential project wholly-owned and operated by the Company, was launched for sale successfully and received overwhelming response. With all units launched sold out, this has provided a solid foundation for the successful presence of “Poly” brand in Hong Kong. Through strategic shift of cities and projects, the Group has successfully mitigated the pressure arisen from the policies towards first-tier cities and realised a steady growth in contracted sales and optimised the structure of its inventory.

Region	Contracted Sales in 2017 by Region¹ (RMB million)	Percentage	Contracted Area Sold in 2017 by Region (’000 square metres)	Percentage
Yangtze River Delta	8,895	22%	310	12%
Pearl River Delta	4,736	12%	281	11%
Southwestern	11,734	29%	1,242	47%
Others	9,153	23%	783	29%
Hong Kong and Overseas	5,679	14%	28	1%

Note:

1 Contracted sales include car parking sales.

NEW LAND RESERVES

Adhering to its prudent investment strategy, Poly Property Group added new land reserves, mainly in second-tier cities, in 2017. During the Year, 13 development projects were acquired in Nanning, Jinan, Suzhou, Ningbo and Foshan with a total planned GFA of approximately 3,790,000 square metres. During the Year, the Group entered the European market by making investment in London Cambium Project in UK.

Land Reserve Acquired in 2017

Land Plot/Project	Type	Site Area ¹ (<i>'000 square metres</i>)	Planned GFA ¹ (<i>'000 square metres</i>)	Interests Attributable to the Group		Current Status ²
Deqing Poly Prime Regency	Residential	28	49	100%		Under construction
Naning Poly Town, Phase II	Residential	307	1,399	100%		Under planning
Jinan Phili House	Residential	71	282	25%		Under construction
Jinan Hai Zi Wa Project	Residential	102	188	60%		Under planning
Suzhou Wei Tang Project	Residential	57	150	100%		Under construction
Ningbo Prosperous Reflection	Residential	157	480	33%		Under construction
London Cambium Project	Residential	13	16	50%		Under construction
Jinan Da Shi Zi Yuan Project	Residential	58	155	51%		Under planning
Foshan Chan Cheng Project	Residential	28	128	100%		Under planning
Weihai Xiang Gang Road Project	Residential	124	334	30%		Under planning
Jinan Zhang Qiu Project	Residential	110	287	33%		Under planning
Suzhou Lu Zhi Project	Residential	60	170	40%		Under planning
Zibo Xin Hua Road Project	Residential	48	155	65%		Under planning
Total:		<u>1,162</u>	<u>3,793</u>			

Notes:

¹ Since figures were rounded up to the nearest thousand, their total may not equal to the actual sum.

² As at 31st December, 2017.

SUMMARY OF NEWLY ACQUIRED PROJECTS IN 2017

1. Deqing Poly Prime Regency

The project is located in Fuxi Street, prime area of Chengdong New District, Deqing, Zhejiang and southwestern side of the Deqing Poly Origin Project. The project, with a planned GFA of approximately 49,000 square metres on a site of approximately 28,000 square metres, is intended to be developed into exquisite housings, mainly targeting at first-time buyers and first-time upgrade buyers.

2. Nanning Poly Town, Phase II

The project is located in the arm of Yong River in the eastern region of Dongmeng Business Zone in Qingxiu District of Nanning, and is adjacent to Qing Xiu Shan, a 5A-level scenic area. As the city development is planned to migrate towards the East, the geographic location and transportation facilities of the project are well embedded at the new city centre of Nanning. The project, with a planned total GFA of approximately 1,400,000 square metres on a site of approximately 307,000 square metres, is intended to be developed into an urban community that comprises high-end apartments and villas.

3. Jinan Phili House

The project is located in the East of Jinan and within 3.5 kilometres radius of Xindong Station in Jinan and North of the Industrial North Expressway which is under construction. It is 20 kilometres away from Jinan International Airport with four planned rail transit lines around and well-positioned to enjoy the geographical benefits of convenient transportation. The project, with a planned total GFA of approximately 282,000 square metres on a site of approximately 71,000 square metres, is intended to be developed into a mid-end residential project, featuring distinguishing characteristics.

4. Jinan Hai Zi Wa Project

The project is located in Changqing District, Jinan, which is at the Western part of the key urban development district of Jinan. According to government planning, the area will be developed into an integrated area, comprising tertiary education institutes, technology and research institutes, leisure and exhibition facilities, as well as residential community. The university city of the region brings together a number of key universities and colleges in the province, pooling all elites together. The region enjoys excellent environment and assembles enterprises with convenient transportation network. The project, with a planned total GFA of approximately 188,000 square metres on a site of approximately 102,000 square metres, is intended to be developed into a high-end residential community with low-density, featuring culture of Poly Property and catering to first-time buyers and first-time upgrade buyers.

5. Suzhou Wei Tang Project

The project is located in Weitang Town, Xiangcheng District, Suzhou. The region enjoys prosperous economy and its freshwater pearl industry is the top nationwide. The Southwest of the land parcel is close to the transportation terminal and within walking distance. In the future, the Metro Line 9 which is under planning will have access to Weitang Town. Being surrounded by hospitals, primary and secondary schools, the land parcel has all-round ancillary facilities. The project, with a planned total GFA of approximately 150,000 square metres on a site of approximately 57,000 square metres, is intended to be developed into a premium living community mainly comprising high-rise residential buildings.

6. Ningbo Prosperous Reflection

The project is located at the North of Minghu, which is located at the East of the central area of Ningbo Eastern New City, composing of three land parcels and connected to natural waters. It is less than two kilometres away from the office of Ningbo Municipal Government, only 200 metres away from the Shengmo Road Station of Ningbo Metro Line 1, and with the ancillary school of Central China Normal University located east of the project. In proximity to shopping centres, the site has all-round ancillary facilities and convenient transportation. The project, with a planned total GFA of approximately 480,000 square metres on a site of approximately 157,000 square metres, is intended to be developed into a high-end integrated complex comprising shopping mall, office tower and eco-friendly residential community.

7. London Cambium Project

The project is located in Wandsworth, Southwest London, which is well-known for its high-quality school district and tranquillity. It is approximately 30-minute drive from Central London, approximately 15-minute walk from the nearby tube station and approximately 20-minute drive from Victoria Station. Surrounded by a 400-acre protected green belt landscape in a tranquil environment, the project is also close to a number of schools. The project, with a planned total GFA of approximately 16,000 square metres on a site of approximately 13,000 square metres, is intended to be developed into a residential community comprising apartments and villas.

8. Jinan Da Shi Zi Yuan Project

The project is located in Changqing District, Jinan, which is at the major western district under the general urban development plan of Jinan, “One City and Two Districts”. The project will be developed into an integrated area, mainly comprising tertiary education institutes, technology and research institutes, leisure and exhibition facilities, as well as residential community. Upon the construction of Railway No. R1, the commencement of operation of Changqing Yellow River Bridge and the commencement of construction of Huayi Movie and Television City (華誼影視城), the transportation and geographical advantages of this land lot will be further strengthened. The project, with a planned total GFA of approximately 155,000 square metres on a site of approximately 58,000 square metres, is intended to be developed into a mid-end residential project, mainly comprising three-room and four-room units.

9. Foshan Chan Cheng Project

The project is located in Old District, Chan Cheng, Foshan, which is a commercial area with education institutions, transportation, medical and municipal facilities within two kilometres distance. It is 50 metres away from Tongji Road Station of Guangzhou-Foshan Railway and has a geographical advantage. The project, with a planned total GFA of approximately 128,000 square metres on a site of approximately 28,000 square metres, is intended to be developed into a basic project, mainly comprising small and medium units.

10. Weihai Xiang Gang Road Project

The project is located in the core district in Weihai Economic and Technological Development Zone and is a major development project in the urban development strategy in Weihai, “The Rise of the Centre (中心崛起)”. The region enjoys clustered enterprises and population, well developed transportation network and comprehensive commercial and education facilities. The project, with a planned total GFA of approximately 334,000 square metres on a site of approximately 124,000 square metres, is intended to be developed into a quality high-rise project, targeting at upgrade buyers.

11. Jinan Zhang Qiu Project

The project is located in the main area of Zhangqiu District, Jinan, with geographical advantage and excellent transportation. There are many tertiary education institutes nearby with comprehensive ancillary facilities. The region is well developed and has extensive natural resources and ideal for living. Under the urban planning of Zhangqiu, Shandong University, the top university in Shandong Province, decided to relocate its campus to Zhangqiu, which will effectively stimulate the growth of industries and population. The project, with a planned total GFA of approximately 287,000 square metres on a site of approximately 110,000 square metres, is intended to be developed into a mid-end residential project, mainly comprising three-room and four-room units.

12. Suzhou Lu Zhi Project

The project is located in Luzhi Town, Wuzhong District, Suzhou, with comprehensive commercial, education and medical facilities, as well as convenient transportation. The Metro Line 6 is planned to be constructed in the future. Luzhi Town, which is near Wudong part of Suzhou Industrial Zone, benefits from the growth of the industrial zone. The project, with a planned total GFA of approximately 170,000 square metres on a site of approximately 60,000 square metres, is intended to be developed into a semi high-rise and high-rise residential project, mainly comprising small and medium units.

13. Zibo Xin Hua Road Project

The project is located in Linzi District, Zibo, Shandong. The region enjoys convenient transportation network, comprehensive living ancillary facilities, rich natural resources and strong cultural atmosphere, which meets the leisure, cultural and entertainment needs of the residents. The project, with a planned total GFA of approximately 155,000 square metres on a site of approximately 48,000 square metres, is intended to be developed into a mid-end residential project, which is suitable for basic and upgrade buyers.

PROJECTS UNDER CONSTRUCTION AND PROJECTS UNDER PLANNING

As at 31st December, 2017, Poly Property Group had a total of 54 commodity properties and integrated real estate development projects in 22 cities. Of the 54 projects, approximately 24% of the total GFA was located in Yangtze River Delta and Pearl River Delta Regions, approximately 51% in Southwestern Region, approximately 24% in Other Regions, and approximately 1% in Hong Kong and overseas regions. Meanwhile, 44 projects are under construction, with a total GFA of approximately 8,670,000 square metres (attributable area amounted to approximately 5,800,000 square metres), and a total GFA of approximately 11,570,000 square metres under planning (attributable area amounted to approximately 7,310,000 square metres).

List of Projects under Construction and under Planning as at 31st December, 2017

Project	GFA under construction¹ (<i>'000 square metres</i>)	GFA under planning¹ (<i>'000 square metres</i>)	Interest attributable to the Group (%)
Yangtze River Delta Region			
1 Shanghai Jiading Project	164	—	100%
2 Shanghai Poly Greenland Plaza	208	—	50%
3 Shanghai Shan Jin Poly Plaza	121	—	50%
4 Shanghai Xijiao Jinmao Palace	216	—	14.867%
5 Suzhou Poly West Bank Villa	6	—	100%
6 Suzhou Poly Lake Mansion	241	100	100%
7 Suzhou Wei Tang Project	150	—	100%
8 Suzhou Lu Zhi Project	—	170	40%
9 Ningbo Poly City	88	299	100%
10 Ningbo Poly Wonderland	82	—	100%
11 Ningbo Prosperous Reflection	223	257	33%
12 Yuyao Poly Jordan International	13	281	100%
13 Deqing Poly Origin	24	68	100%
14 Deqing Poly Prime Regency	49	—	100%
Sub total	1,586	1,174	
Pearl River Delta Region			
15 Guangzhou Poly Gratified West Bay	26	446	55%
16 Guangzhou Nansha Poly City	227	287	85%
17 Guangzhou Poly Jade Hills	65	—	100%
18 Foshan Poly Central Park	255	—	100%
19 Foshan Chan Cheng Project	—	128	100%
20 Huizhou Poly Deutch Kultur	24	—	80%
21 Huizhou Poly Sunshine Town	353	356	70%
Sub total	949	1,217	

Project	GFA under construction¹ <i>(’000 square metres)</i>	GFA under planning¹ <i>(’000 square metres)</i>	Interest attributable to the Group <i>(%)</i>
Southwestern Region			
22 Guiyang Poly Spring Street	42	180	66.5%
23 Guiyang Poly Park 2010	393	687	100%
24 Guiyang Poly The Place of A Lake	304	4	50%
25 Guiyang Poly Phoenix Bay	621	405	51%
26 Zunyi Poly Metropolis of Future	500	2,823	35%
27 Nanning Poly Crescendo	172	105	100%
28 Nanning Poly Dream River	210	—	30%
29 Nanning Poly Hearty	191	—	100%
30 Nanning Poly Town	1,059	665	46.7%
31 Nanning Poly Town Phase II	—	1,399	100%
32 Liuzhou Poly Merization World	216	—	100%
33 Kunming Poly One Family One World	365	—	73%
Sub total	4,074	6,268	
Other Regions			
34 Wuhan Poly City	440	459	68%
35 Wuhan Yangyuan Project	141	—	51%
36 Wuhan Poly Park	—	252	55%
37 Wuhan Poly Up Town	451	156	64.3%
38 Harbin Poly The Water’s Fragrant Dike	111	140	58%
39 Harbin Poly City	136	121	100%
40 Jinan Poly Hyde Mansion	69	—	100%
41 Jinan Poly Center	153	—	85%
42 Jinan Poly Elegant Garden	128	—	80%
43 Jinan Phili House	74	208	25%
44 Jinan Hai Zi Wa Project	—	188	60%
45 Jinan Da Shi Zi Yuan Project	—	155	51%
46 Jinan Zhang Qiu Project	—	287	33%
47 Yantai Poly Ocean Luxe	121	84	70%
48 Weihai Poly Maple Valley	129	—	70%
49 Weihai Xiang Gang Road Project	—	334	30%
50 Zibo Xin Hua Road Project	—	155	65%
51 Hainan Poly Peninsula No.1	—	369	100%
Sub total	1,954	2,909	

Project	GFA under construction¹ <i>(’000 square metres)</i>	GFA under planning¹ <i>(’000 square metres)</i>	Interest attributable to the Group <i>(%)</i>
Hong Kong and Overseas Regions			
52 Hong Kong Kai Tak Vibe Centro	70	—	100%
53 Hong Kong Tuen Mun Project	21	—	100%
54 London Cambium Project	16	—	50%
Sub total	108	—	
Grand total	8,670	11,568	

Note:

¹ Since figures were rounded up to the nearest thousand, their grand total or sub total may not equal to the actual sum.

COMPLETED CONSTRUCTION

In 2017, the Poly Property Group has achieved a total GFA of approximately 3,070,000 square metres in completed construction. The construction of all phases of three projects has been completed in the Year.

List of Completed GFA in 2017

Project	Completed GFA in 2017¹ <i>(’000 square metres)</i>	Accumulated completed GFA by the end of 2017¹ <i>(’000 square metres)</i>
Yangtze River Delta Region		
Shanghai Poly Deluxe Mansion	116	180
Shanghai Poly Greenland Plaza	65	122
Shanghai Poly Phili House	34	249
Shanghai Poly Phili Regency	125	125
Suzhou Poly West Bank Villa	97	370
Suzhou Poly Lake Mansion	276	720
Ningbo Poly Wonderland	261	261

Project	Completed GFA in 2017¹ (‘000 square metres)	Accumulated completed GFA by the end of 2017¹ (‘000 square metres)
Pearl River Delta Region		
Guangzhou Poly Gratified West Bay	74	74
Guangzhou Nansha Poly City	103	287
Guangzhou Poly Jade Hills	28	28
Foshan Poly Central Park	157	409
Huizhou Poly Deutch Kultur	76	473
Southwestern Region		
Guiyang Poly Park 2010	92	893
Guiyang Poly The Place of A Lake	26	555
Guiyang Poly Phoenix Bay	190	527
Zunyi Poly Metropolis of Future	226	1,847
Nanning Poly Crescendo	87	362
Kunming Poly One Family One World	87	337
Other Regions		
Wuhan Poly City	260	831
Wuhan Poly Up Town	185	185
Harbin Poly City	241	353
Jinan Poly Hyde Mansion	63	365
Jinan Poly Center	173	324
Jinan Poly Elegant Garden	29	291
Grand total:	3,072	10,170

Note:

¹ Since figures were rounded up to the nearest thousand, their grand total or sub total may not equal to the actual sum.

RECOGNISED PROPERTY SALES

The sales of over 50 projects of Poly Property Group have been recognised in 2017, with a total sales value of RMB26.4 billion and a total GFA of approximately 2,430,000 square metres. The recognised average selling price was approximately RMB10,865 per square metre. Among the sales recognised, ordinary residential housing accounted for 82%, villas accounted for 7%, retail shops accounted for 5%, offices accounted for 2% and parking spaces accounted for 4% of the total value. In terms of geographical distribution, Yangtze River Delta, Pearl River Delta, Southwestern and Other Regions accounted for approximately 36%, 17%, 20% and 27%, respectively.

List of Major Projects with Sales Recognised in 2017

Project	Sales recognised in 2017 ¹ (RMB million)
Yangtze River Delta Region	
1 Shanghai Poly Deluxe Mansion	640
2 Shanghai Poly Elegant Mansion	120
3 Shanghai Jiading Project	72
4 Suzhou Poly West Bank Villa	1,505
5 Suzhou Poly Lake Mansion	2,489
6 Ningbo Poly City	203
7 Ningbo Poly Wonderland	3,511
8 Yuyao Poly Jordan International	260
9 Deqing Poly Origin	658
10 Others	78
Sub total	9,534
Pearl River Delta Region	
11 Guangzhou Poly Golf Shire	298
12 Guangzhou Poly Zephyr City	45
13 Guangzhou Poly Gratified West Bay	1,125
14 Guangzhou Poly Up House	115
15 Guangzhou Nansha Poly City	1,239
16 Foshan Poly Cullinan Garden	43
17 Foshan Poly Prestige City	112
18 Foshan Poly Central Park	662
19 Shenzhen Poly Up Town	55
20 Shenzhen Poly Joy-Zone	191
21 Huizhou Poly Deutch Kultur	458
22 Huizhou Poly Sunshine Town	8
23 Others	36
Sub total	4,385

Project	Sales recognised in 2017¹ (RMB million)
Southwestern Regions	
24 Guiyang Poly Hot Spring Newisland	27
25 Guiyang Poly International Center	32
26 Guiyang Poly Spring Street	26
27 Guiyang Poly Clouds Hill International	10
28 Guiyang Poly Park 2010	626
29 Guiyang Poly The Place of A Lake	292
30 Guiyang Poly Phoenix Bay	1,038
31 Zunyi Poly Metropolis of Future	654
32 Nanning Poly Crescendo	304
33 Nanning Poly Aegean Sea	32
34 Nanning Poly Hearty	386
35 Liuzhou Poly Merization World	223
36 Kunming Poly Lakeside Mansion	31
37 Kunming Poly Sky and Earth	38
38 Kunming Poly One Family One World	1,477
39 Others	25
Sub total	5,223
Other Regions	
40 Wuhan Poly City	1,961
41 Wuhan Poly Blue Ocean District	16
42 Harbin The Tsinghua Summer Palace of Poly	74
43 Harbin Poly The Water's Fragrant Dike	117
44 Harbin Poly Up Town	238
45 Harbin Poly City	1,823
46 Jinan Poly Hyde Mansion	836
47 Jinan Poly Center	1,158
48 Jinan Poly Elegant Garden	410
49 Yantai Poly Champs Elysees Mansion	31
50 Weihai Poly Triumph Mansion	100
51 Hainan Poly Peninsula No.1	476
52 Others	7
Sub total	7,249
Grand total:	26,391

Note:

¹ Since figures were rounded up to the nearest thousand, their total may not equal to the actual sum.

Recognised Sales in 2017 by Property Type

Property type	Sales recognised in 2017 (RMB million)	Percentage (%)
Apartment	21,718	82%
Villa	1,826	7%
Retail shop	1,278	5%
Office	528	2%
Parking space	1,041	4%
Total	26,391	100%

INVESTMENT PROPERTIES

Poly Property Group has various investment properties and hotels located in first-tier cities and second-tier provincial capitals. Its investment properties had a total GFA of approximately 694,000 square metres and an asset value of approximately HK\$10.9 billion. In 2017, the occupancy rates for the Poly Property Group's office buildings and shopping malls remained steady. The rental rates achieved higher as compared to the corresponding period of last year. Regarding the hotel operations, Beijing Poly Plaza, Wuhan Poly Hotel and Guiyang Poly Hot Spring Hotel had also performed reasonably well.

List of Major Investment Properties and Hotels as at 31st December, 2017

Region	Project	GFA held ('000 square metres)	Average occupancy rate of 2017	Average occupancy rate of 2016	Interests attributable to the Group	Property type
Investment properties						
Beijing	Beijing Poly Plaza	15	100%	100%	75%	Office building
Shanghai	Shanghai Poly Plaza (partial)	34	92%	97%	100%	Office building and commercial
Shanghai	Shanghai Stock Exchange Building (partial)	48	90%	92%	100%	Office building

Region	Project	GFA held (’000 square metres)	Average occupancy rate of 2017	Average occupancy rate of 2016	Interests attributable to the Group	Property type
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	135	100%	100%	100%	Commercial
Wuhan	Wuhan Poly Plaza (partial)	97	85%	81%	100%	Office building and commercial
Guiyang	Guiyang Poly International Center	52	100%	100%	66.5%	Commercial
Hotel properties						
Beijing	Beijing Poly Plaza	63	76%	69%	75%	Hotel
Wuhan	Wuhan Poly Hotel	28	72%	74%	100%	Hotel
Guiyang	Guiyang Poly Hot Spring Hotel	39	55%	51%	66.5%	Hotel

PROPERTY MANAGEMENT

The Group has various property management companies engaging in management of residential properties, commercial properties, offices, urban complexes, starred commercial hotels, resort hotels, theatres and cultural plazas. They have been the leading players in China which have received numerous titles and awards in recent years.

In 2017, the Group’s property management companies recorded total revenue of RMB705 million, representing an increase of 43% when comparing with the corresponding period of last year. The companies managed a total of 145 property projects with an aggregate GFA of 29,500,000 square metres, representing an increase of 7.7% when comparing with the corresponding period of last year.

2018 OUTLOOK

In 2018, it is expected that the real estate market of China will continue to be under stable control with more specific regulatory framework for the long term housing mechanism. The current “five restrictions” are likely to remain stringent, only with slight finetunes by the local governments based on the local housing supply and demand and economic development. In order to foster the steady and sound development of the real estate market, the Central Government will optimise the multi-layered housing supply system and establish a long-term mechanism adapting to the national condition and market practice of China by means of finance, land supply and taxation.

The current control policies have effectively held back the speculation and investment demands for real estate. It is expected that the continuous improvement of the long-term housing mechanism will result in higher percentage of self-used properties. A majority of the key products of the Group are properties in provincial capitals with added value of comprehensive community and cultural facilities mainly for first-time buyers and existing owners looking for upgrade of living condition. The Group is confident that it will be able to adapt to the ever-changing market flexibly by improving the quality of products and premium in selling prices and optimising the cost control mechanism in order to raise the brand value and market influence of “Poly”.

The Group will pay close attention to the direction of control policies in regions where it operates and the impact of financial regulations and de-leveraging on the real estate business, and timely adjust the sales strategies. The Group will strengthen its management of sales collection and cash flow management and explore new financing channels, such as asset securitisation of operating properties. In order to minimise the risks and grasp the opportunities arising from the industry development, the Group will also fully dig for the opportunities of deep cooperation between real estate and financial business to realise the rapid integration and collaborative innovation of capital and industry.

In respect of the land market, it is expected that local governments will increase land supply through various measures, including the promotion of renting house as an alternative to buying house, equal rights between property tenants and buyers and common ownership in 2018. In addition to obtaining lands through traditional ways such as bidding, auction and listing, the Group will pay close attention to opportunities from urban redevelopment, primary and secondary land development, and acquisition and cooperation projects in China. The Group will also put efforts in exploring the development and operation models of new businesses, such as themed real estate, special feature towns and long-term leasing apartments, and strive to launch such projects in the near future.

In respect of Hong Kong and overseas business, the smooth delivery of Vibe Centro project in Hong Kong is one of the major tasks in 2018. The project in Tuen Mun is planned to be completed in the first half of 2019 and will be launched near completion. The Group will actively carry out the preparatory work. The Group is confident about the development of its Hong Kong and overseas projects, and will further increase Hong Kong and overseas investments and speed up the set up of industry funds so as to develop new growth drivers and achieve breakthrough in business innovation.

In 2018, the Group will continue to maintain steady growth and promote reforms to transform its development pattern. The Group will further optimise and expand its principal real estate business through strengthening its core competitiveness and introducing incentive and restraint mechanism. The Group will further improve its operating results to provide its shareholders with sustainable and considerable returns.

SUMMARY OF MAJOR REAL ESTATE PROJECTS

1. Yangtze River Delta Region

As at 31st December, 2017, the Poly Property Group had 18 projects in the Yangtze River Delta Region with a total GFA of approximately 2,760,000 square metres, accounting for approximately 13.7% of Poly Property Group's total land reserves. Among which, approximately 1,590,000 square metres were under construction while 1,170,000 square meters were under planning. Four of these projects were completed, thirteen were under construction and one had yet to commence construction.

Location	City/District	Project	Geographical Location	Property type	Development status
Yangtze River Delta	Shanghai	Poly Deluxe Mansion	Located in the prime area of Jiading District, close to the Metro Line 11	Residential buildings	Delivered with sales of remaining apartments
		Poly Elegant Mansion		Residential buildings	Delivered with sales of remaining apartments
		Jiading Project		Residential and commercial buildings, hotel and theatre	Residential buildings delivered Hotel and commercial building are under construction
		Poly Greenland Plaza	Located at Dalian Road, Yangpu District, CBD of waterfront Inner Loop, Golden Triangle of Lujiazui	Residential buildings, office and commercial buildings	Residential buildings delivered and sold out Office and commercial buildings for sale (partially delivered)

Location	City/District	Project	Geographical Location	Property type	Development status
		Poly Phil House	Located in Sijing, Songjiang, near Sijing Station of Metro Line 9 with access to convenient transportation and full- fledged ancillary facilities	Residential and commercial buildings	For sale (partially delivered)
		Shan Jin Poly Plaza	Located within the inner ring along the waterfront at the Eastern Bund, in proximity to Yangshupu Road Station of Metro Line 4	Office and commercial buildings	Under construction and prepared for sale
		Poly Phil Regency	Located within the Eastern Bund in Yangpu District	Residential buildings	For sale
		Xijiao Jinmao Palace	Located in New Jiading, 800 metres away from New Jiading Station of Metro Line 11, fully equipped with living facilities to a large capacity of population	Apartments and villas	Under construction and prepared for sale
	Suzhou	Poly West Bank Villa	Located in the economic development zone of Wuzhong District, the project stands on a peninsula of Dushu Lake	Apartments and villas	For sale (partially delivered)
		Poly Lake Mansion	Located in the economic development zone of Wuzhong District and the northern tip of Yinshan Lake	Residential and commercial buildings, office and hotel	For sale (partially delivered)
		Wei Tang Project	Located in Weitang Town, Suzhou, in proximity to transportation terminal and with access to Metro Line 9 which is under planning	Residential and commercial buildings	Under construction and prepared for sale
		Lu Zhi Project	Located in Luzhi Town, Suzhou and facing Zone Hudong in Suzhou Industrial Park(蘇州工業園區湖東板塊), and with access to Metro Line 6 which is under long-term planning	Residential buildings	Under construction

Location	City/District	Project	Geographical Location	Property type	Development status
	Ningbo	Poly City	Located in the prime location of Zhenhai New Town, facing the new administrative and cultural center of Zhenhai	Residential and commercial buildings and office	For sale (partially delivered)
		Poly Wonderland	Located at Shuixiang Lane, Dongshang New Town, Ningbo	Residential and commercial buildings	For sale (partially delivered)
		Prosperous Reflection	Located in the central area of Ningbo Eastern New City and less than two kilometres away from the office of Ningbo Municipal Government with access to convenient transportation and full- fledged ancillary facilities	Residential and commercial buildings and office	For sale
	Yuyao	Poly Jordan International	Located in the Southeast of the intersection of Chengdong Road and Tanjialing Road, Yuyao	Residential and commercial buildings and office	For sale (partially delivered)
	Deqing	Poly Origin	Located in the Eastern New Town in Deqing, 5-minute driving distance from the Nanjing-Hangzhou High-speed Railway station and with superior scenery and landscape	Residential buildings, hotel and commercials	For sale (partially delivered)
		Poly Prime Regency	Located in Fuxi Street, the central of the Eastern New Town in Deqing and the Southwest of the Poly Origin project	Residential buildings	Under construction and prepared for sale

2. Pearl River Delta Region

As at 31st December, 2017, Poly Property Group had 14 projects in the Pearl River Delta Region with a total GFA of approximately 2,170,000 square metres, accounting for approximately 10.7% of the total land reserves of the Group. Among which, approximately 950,000 square metres was under construction and approximately 1,220,000 square metres was under planning. Seven of these projects were completed, six were under construction and one was yet to commence construction.

Region	City/District	Project	Geographical Location	Major Products	Current Status
Pearl River Delta	Guangzhou	Poly Golf Shire	Located in Huadu District; adjacent to the Asian Games New Stadium at Fengshen Avenue and the Metro Line 9	Residential buildings and offices	Delivered with sales of remaining apartments
		Poly Zephyr City	Located in the center of Xinhua Town of Huadu District, east to the district government	Residential and commercial buildings	Delivered with sales of remaining apartments
		Poly Up House	Located in Huadu District, in proximity to Metro Lines 3 and 9 which is accessible to the whole city	Residential buildings	Delivered with sales of remaining apartments
		Poly Gratified West Bay	Located in the South of Liwan District; adjacent to the Guangzhou Metro Line 1 with commercial and educational facilities	Residential and commercial buildings and offices	For sale (partially delivered)
		Nansha Poly City	Located within the Toyota Auto City in Huangge Town, Nansha with access to a comprehensive transportation network	Residential and commercial buildings	For sale (partially delivered)
		Poly Jade Hills	Located at the junction of North Jianshe Road and Sandong Avenue in Huadu	Residential, office and commercial buildings	For sale

Region	City/District	Project	Geographical Location	Major Products	Current Status
	Foshan	Poly Cullinan Garden	Located in the centre of Chancheng District neighbouring the Asia Arts Park in the west and equipped with a full range of community facilities	Residential, office and commercial buildings	Delivered with sales of remaining apartments
		Poly Prestige City	Located in Longjiang Town, Shunde District, with the benefit of an extensive transportation network and thriving commercial activities	Residential and commercial buildings	Delivered with sales of remaining apartments
		Poly Central Park	Located in the north of Shunde New City, the project stands in the heart of Pearl River Delta and enjoys convenient transportation	Residential and commercial buildings and hotel	For sale (partially delivered)
		Chan Cheng Project	Located in old town district in Chancheng, Foshan with the benefit of the thriving commercial activities and 50 metres away from Tongji Street Station of Guangzhou-Foshan Railway	Residential and commercial buildings	Under planning
	Shenzhen	Poly Up Town	Located in the prime commercial location of Longgang District, the project is easily accessible by the Metro Line 3 and is also complemented with ancillary facilities	Residential and commercial buildings	Delivered with sales of remaining apartments
		Poly Joy-Zone	Located in Longhua, Bao'an District, Shenzhen; close to the transportation terminal and the metro station, with sound business and community facilities	Residential and commercial buildings	Delivered with sales of remaining apartments
	Huizhou	Poly Sunshine Town	Located next to the Shenzhen-Shantou Expressway and Palm Island Golf Course, the project enjoys an environment of natural scenery	Residential and commercial buildings	For sale (partially delivered)

Region	City/District	Project	Geographical Location	Major Products	Current Status
		Poly Deutch Kultur	Located in the prime area of Huibo and the northern bank of East River, the project is only a 10-minute drive from downtown of Huizhou	Residential and commercial buildings	For sale (partially delivered)

3. Southwestern Region

As at 31st December, 2017, Poly Property Group held 18 projects in the Southwestern Region with a total GFA of approximately 10,340,000 square metres, accounting for approximately 51.1% of the total land reserves of the Group. Among which, approximately 4,070,000 square metres was under construction and approximately 6,270,000 square metres was under planning. Six projects were completed, eleven were under construction and one was yet to commence construction.

Region	City/District	Project	Geographical Location	Major Products	Current Status
Southwestern	Guiyang	Poly Hot Spring Newisland	Located in Wudang District amidst a picturesque setting at the center of lake areas	Residential and commercial buildings	Delivered with sales of remaining apartments
		Poly International Center	Located in the heart of Nanming District and standing on the bank of Nanming River with a shoreline of approximately 300 metres	Residential, commercial and office buildings	Delivered with sales of remaining apartments
		Poly Clouds Hill International	Located in Yunyan District and a 5-minute drive from the downtown of the city, which is convenient and easily accessible	Residential and commercial buildings	Delivered with sales of remaining apartments
		Poly Spring Street	Located in the south of Wudang District, the project is 1 kilometre away from the center of the district	Residential and commercial buildings	For sale (partially delivered)

Region	City/District	Project	Geographical Location	Major Products	Current Status
Guangxi		Poly Park 2010	Located in Wudang District and in close proximity to the district administration center, the project incorporates an 18-hole international standard golf course and enjoys established community facilities in the neighbourhood	Residential and commercial buildings	For sale (partially delivered)
		Poly The Place of A Lake	Standing against the backdrop of Huaxi National Wetland Park, the project is situated in the prime location in the scenic eco-tour zone of Huaxi District	Residential and commercial buildings	For sale (partially delivered)
		Poly Phoenix Bay	Located in Nanming District; built on the site previously occupied by Guiyang Power Plant (貴陽電廠), the project is a transportation hub linking the downtown of Guiyang, and Xiaohe and Huaxi Districts in the south	Residential, commercial and office buildings	For sale (partially delivered)
	Zunyi	Poly Metropolis of Future	Located in the south of Zunyi; the project is close to the center of transportation created by the government and links to the old town of Zunyi	Residential, commercial and office buildings	For sale (partially delivered)
	Nanning	Poly Crescendo	Located in the north of Nanning, the project is approximately 20 minutes away from the city center	Villas and apartments	For sale (partially delivered)
		Poly Aegean Sea	Located in Xiuxiang main road and neighbouring the Lion Hill Park, the project enjoys convenient transportation and community facilities	Residential and commercial buildings	Delivered with sales of remaining apartments
		Poly Hearty	Located at Mingxiu Road near the former site of Chongzuo CPC Academy, the project is a premium residential development in Beihu Sub-district	Residential, commercial and office buildings	For sale (partially delivered)

Region	City/District	Project	Geographical Location	Major Products	Current Status
		Poly Dream River	Located in the heart of the Liusha Peninsula, the project neighbours the state guesthouse Liyuan Resort and Qing Xiu Mountain Golf Course in the east, Liusha Eco Park in the west with a planned gross floor area of over a thousand acres, as well as a spectacular view of river in the south	Residential buildings	Under construction and prepared for sale
		Poly Town	Located at the junction of Qinghuan Road and Fengling South Road in Qingxiu District, in proximity to the 3 CBDs of Dongmeng, Longgang and Wuxiang, facing Qingxiushan Park in the west and overlooking Yong River in the south	Residential, commercial and office buildings	For sale
		Poly Town Phase II	Located in the arm of Yong River in the eastern region of Dongmeng Business Zone in Qingxiu District, and is adjacent to Qing Xiu Shan, a 5A-level scenic area	Residential and commercial buildings	Under planning
	Liuzhou	Poly Merization World	Neighbouring the old town of Liubei on the west and the business district on the south, and standing on the Liu River bank with a shoreline of more than 200 metres, the project boasts a prime location and natural scenery	Residential, commercial and office buildings and hotel	For sale (partially delivered)
	Kunming	Poly Lakeside Mansion	Located in Ninghu Xincheng of Datun District in Anning City, the project shares the same neighbourhood of “Kunming Sunny Lake & Splendid Life” which is one block away	Residential and commercial buildings	Delivered with sales of remaining apartments

Region	City/District	Project	Geographical Location	Major Products	Current Status
		Poly Sky and Earth	Situated in the prime area of Renmin Road in the downtown area, the project is next to the City Stadium Station serviced by the Metro Line 3, which is currently under construction. The neighbouring area offers comprehensive ancillary facilities	Residential, commercial and office buildings	Delivered with sales of remaining apartments
		Poly One Family One World	Located in the intersection of Er Huan Bei Road and Puji Road	Residential, commercial and office buildings	For sale (partially delivered)

4. Other Regions

As at 31st December, 2017, Poly Property Group has a total of 25 projects in other regions, namely Wuhan, Harbin, Jinan and Hainan. The land bank amounted to a gross floor area of approximately 4,860,000 square metres that contributed to roughly 24.0% of the Group's property development portfolio. Projects under development accounted for a total gross floor area of approximately 1,950,000 square metres and an approximate gross floor area of 2,910,000 square metres was reserved for future development. Seven of the projects were completed, eleven were currently under construction and seven had yet to commence construction.

Region	City/District	Project	Geographical Location	Major Products	Current Status
Others	Wuhan	Poly Plaza	Located in Wuchang, the project is a comprehensive commercial plaza integrating commerce, fashion and culture	Office buildings, and commercial buildings	Delivered for lease and for sale
		Poly City	The project is located in Hongshan District, and is complemented by a full range of community and educational facilities	Residential, office and commercial buildings	For sale (partially delivered)

Region	City/District	Project	Geographical Location	Major Products	Current Status
		Poly Blue Ocean District	Located at the prime area of Wuchang District, the project boasts unparalleled panoramic lakeside views. Close to the Wuhan Metro Line 2, the project enjoys an excellent transportation network	Residential and commercial buildings	Delivered with sales of remaining apartments
		Yangyuan Project	Located in Wuchang, the main area of the Central District and near the Yangtze River	Residential, office and commercial buildings	Under construction and prepared for sale
		Poly Park	Located at Hongtu Avenue in Dongxihu District, which stands close to the Metro Line 2, the project is surrounded by numerous ancillary facilities	Residential and commercial buildings	Planned for construction
		Poly Up Town	Located in the newly emerging Baishazhou area, the project is adjacent to the Wuchang District and the new town of Nanhu. Located within the Second Ring, the project neighbours the planned Metro Line 5	Residential, commercial and office buildings	For sale
	Harbin	The Tsinghua Summer Palace of Poly	Situated in the Nangang District, the central district, which is the cultural and education base for higher education, the project enjoys benefits from well-established community amenities	Residential and commercial buildings	Delivered with sales of remaining apartments
		Poly Up Town	New residential community located alongside Songhua River in Harbin West, developed as a key project designated by the government	Residential and commercial buildings	Delivered with sales of remaining apartments

Region	City/District	Project	Geographical Location	Major Products	Current Status
		Poly The Water's Fragrant Dike	Located in Songbei District, the project neighbours major provincial government offices in Harbin and is only 500 metres away from Songbei Avenue, with improving municipal facilities in surrounding areas	Residential and commercial buildings	For sale (partially delivered)
		Poly City	Located in Daoli District at the junction of West Youyi Road (友谊西路) and Langjiang Road (朗江路)	Residential and commercial buildings	For sale (partially delivered)
	Jinan	Poly Hyde Mansion	Located in the Honglou business area of the Licheng District, a commercial center of the new district in the east of Jinan	Residential and commercial buildings	For sale (partially delivered)
		Poly Center	Situated at the west of the southern City, the project is adjacent to the Jinan West Market that is renowned as a hundred- year-old commercial market	Residential and commercial buildings	For sale (partially delivered)
		Poly Elegant Garden	Neighbouring the Honglou business area, the project is located in the Lixia District with convenient transportation	Residential and commercial buildings	For sale (partially delivered)
		Phili House	Located at a prime location within a distance of 3.5km away from the New Jinan East Station (济南新东站) and surrounded by 4 metro lines	Residential, commercial and office buildings	For sale
		Hai Zi Wa Project	Located at Changqing District, with adequate scientific and human resources, excellent environment and convenient transportation	Residential buildings	Under planning

Region	City/District	Project	Geographical Location	Major Products	Current Status
Qingdao	Changqing District	Da Shi Zi Yuan Project	Situated at Changqing District, and in proximity to the Metro Line R1 which is under planning, Changqing Huanghe Bridge (長清黃河大橋) and Huayi Studios (華誼影視城)	Residential buildings	Under planning
		Zhang Qiu Project	Located at the downtown of Zhangqiu, surrounded by a number of high schools, and with adequate ancillary facilities and convenient transportation	Residential buildings	Under planning
	Yantai	Poly Champs Elysees Mansion	Located next to the Phoenix Mountain Reservoir, the project enjoys a convenient transportation network	Residential buildings	Delivered with sales of remaining apartments
		Poly Blossom Garden	Located in the core area of the Southern New City, the project is about 500 metres away from Guanzhuang Station (官莊站) in the Yantai section of the planned Qingrong Intercity Railway (青榮城際鐵路), creating a circle of which Qingdao, Yantai and Weihai can all be reached within one hour	Residential buildings	Delivered with sales of remaining apartments
		Poly Ocean Luxe	Situated in the core area in High-tech District, the project is north to Binhai Road and is approximately 300 metres away from the coastline, offering unparalleled sea views	Residential buildings	For sale
	Weihai	Poly Triumph Mansion	Situated in the Huancui District, the project is close to the Xianguding Scenic Spot and is east to the ocean, offering unparalleled sea views	Residential buildings	Delivered with sales of remaining apartments

Region	City/District	Project	Geographical Location	Major Products	Current Status
		Poly Maple Valley	Located in the heart of Huancui District, the project is surrounded by hills in three directions. In proximity to Darunfa business circle and Green Zone planning area, the site is easily accessible with comprehensive ancillary facilities in the neighbourhood	Residential buildings	For sale
		Xiang Gang Road Project	Situated in the traditional town center of the economic and technology development zone where businesses and population are concentrated, the project is easily accessible with convenient transportation and comprehensive ancillary facilities	Residential buildings	Under planning
	Zibo	Xin Hua Road Project	Located at Zibo District with convenient transportation, comprehensive ancillary facilities and abundant nature resources, the project is surrounded by rich cultural atmosphere	Residential buildings	Under planning
	Wanning	Poly Peninsula No.1	Located in the resort district of Shenzhou Peninsula in Wanning City, Hainan Province, the project enjoys beautiful coastal resources	Residential and commercial buildings	Under planning

5. Hong Kong and Overseas

As at 31st December, 2017, Poly Property Group has a total of three projects in Hong Kong and overseas regions, all under construction, and the aggregate land reserves amount to approximately 110,000 square meters, representing approximately 0.5% of the total land reserves of Poly Property Group.

Region	City/District	Project	Geographical Location	Major Products	Current Status
Hong Kong and overseas	Hong Kong	Kai Tak Vibe Centro	Located in the Kai Tak Development Area of Kowloon East, the project will be developed as a part of the core business district of Kowloon East. It is near the Kai Tak Station along the Shatin — Central MTR line and will take only 10 minutes by MTR to reach the core areas of Hong Kong Island in the future	Residential buildings	For sale
		Tuen Mun Project	Located in the Castle Peak Beach section of Castle Peak Road, Tuen Mun, the project is a low-density beachside residential project encircled by ancillary facilities such as Harrow International School Hong Kong, Gold Coast and Tuen Mun Hospital in the neighbourhood	Villas	Under construction and prepared for sale
	London	Cambium Project	The project is located in Wandsworth, Southwest London, which is well-known for its high-quality school district and tranquillity. It is approximately 15-minute walk from the nearby tube station and approximately 30-minute drive from Central London	Residential buildings	For sale

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 31st December, 2017, total equity attributable to shareholders of the Company amounted to HK\$28,296,364,000 (2016: HK\$24,696,715,000), while the net asset value per share was HK\$7.73 (2016: HK\$6.74). As at 31st December, 2017, the Group's gearing ratio (on the basis of the amount of total liabilities divided by the amount of total assets) was 76.1% (2016: 77.9%).

As at 31st December, 2017, the Group had an outstanding bank and other borrowings (including the notes payable) of HK\$46,825,236,000. In terms of maturity, the outstanding bank and other borrowings (including notes payable) can be divided into HK\$19,735,437,000 (42%) to be repaid within one year, HK\$8,517,558,000 (18%) to be repaid after one year but within two years, HK\$15,572,872,000 (34%) to be repaid after two years but within five years, HK\$2,999,369,000 (6%) 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\$37,358,818,000 (80%) in Renminbi, HK\$3,900,000,000 (8%) in United State dollars, and HK\$5,566,418,000 (12%) in Hong Kong dollars.

43.7% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 56.3% 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, 2017, the Group had a net current assets of HK\$39,624,720,000 and total bank balances of HK\$21,250,887,000 (2016: HK\$42,837,416,000 and HK\$18,366,789,000 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. On the other hand, despite the recent appreciation of Renminbi, the Board believes that Renminbi will only gradually appreciate by a small percent in the foreseeable future. In this regard, the management believes that the exposure of the Group to foreign exchange risks is minimal.

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Investment properties	3,704,286	2,809,663
Hotel properties	157,143	507,865
Buildings	—	36,076
Prepaid lease payments	65,414	194,866
Properties under development	21,637,628	13,792,049
Properties held for sale	2,719,388	3,017,770
Bank deposits	329,237	785,305
	<u>28,613,096</u>	<u>21,143,594</u>

In addition to above pledge of assets, at 31st December, 2017 and 2016, 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Total assets	12,823,267	9,413,596
Total liabilities	<u>(12,999,927)</u>	<u>(8,486,520)</u>
	<u>(176,660)</u>	<u>927,076</u>

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\$28,685,243,000 as at 31st December, 2017 (2016: HK\$28,393,520,000). 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, 2017, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK\$2,170,910,000 (2016: HK\$1,853,932,000), of which HK\$2,088,743,000 (2016: HK\$1,853,932,000) had been utilised by the joint ventures.

EMPLOYEES

As at 31st December, 2017, the Group employed about 13,166 employees with remuneration for the year amounted to HK\$1,116,271,000. 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.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31st December, 2017 which would materially affect the Group's operating and financial performance as at the date of this announcement.

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, 2017 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 other important engagement 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 25th May, 2017.

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, 2017.

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 2017 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 2018.

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

Hong Kong, 21st March, 2018

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.