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POWERLONG
宝龙

POWERLONG REAL ESTATE HOLDINGS LIMITED

寶龍地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1238)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

RESULTS HIGHLIGHTS

- For the six months ended 30 June 2017, contracted sales amounted to approximately RMB9,061 million, representing an increase of approximately 20.7% over the corresponding period in 2016;

- For the six months ended 30 June 2017, revenue amounted to approximately RMB7,631 million, representing an increase of approximately 22.6% over the corresponding period in 2016;

- For the six months ended 30 June 2017, rental income from investment properties and income from property management services amounted to approximately RMB851 million, representing an increase of approximately 38.1% over the corresponding period in 2016;

- For the six months ended 30 June 2017, profit for the period was approximately RMB1,547 million, increased by approximately 28.0% over the corresponding period in 2016;

- For the six months ended 30 June 2017, core earnings (excluding the fair value gains on investment properties for the period under review) was approximately RMB1,070 million, increased by approximately 37.2% over the corresponding period in 2016;

- On 6 April 2017, Moody's upgraded the rating of the Company to B1; and

- The Board of Directors declared an interim dividend of HK$5.4 cents per ordinary share for the six months ended 30 June 2017.

The board (the "**Board**") of directors (the "**Directors**") of Powerlong Real Estate Holdings Limited (the "**Company**" or "**Powerlong**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**30 June 2017 Unaudited** ***RMB'000***	31 December 2016 Audited *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**2,879,990**	2,797,942
Land use rights		**1,035,128**	1,050,746
Investment properties	*3*	**36,110,780**	34,353,397
Investments accounted for using the equity method		**3,740,496**	2,605,100
Deferred income tax assets		**416,731**	359,998
Available-for-sale financial assets		**453,507**	413,250
Prepayments		**828,063**	724,667
		45,464,695	42,305,100
Current assets			
Properties under development		**9,152,548**	8,940,371
Completed properties held for sale		**11,152,487**	11,302,986
Trade and other receivables	*4*	**4,839,805**	4,568,119
Prepayments		**1,146,665**	1,417,199
Prepaid taxes		**382,633**	418,440
Financial assets at fair value through profit or loss		**43,501**	27,003
Restricted cash		**810,201**	1,174,497
Cash and cash equivalents		**8,387,421**	8,973,804
		35,915,261	36,822,419
Total assets		**81,379,956**	79,127,519

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

	Note	**30 June 2017 Unaudited** *RMB'000*	31 December 2016 Audited *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**2,132,738**	2,683,046
Other reserves		**678,969**	654,900
Retained earnings		**20,770,692**	19,280,371
		23,582,399	22,618,317
Perpetual Capital Instruments		**1,499,462**	1,730,075
Non-controlling interests		**1,415,232**	1,591,857
Total equity		**26,497,093**	25,940,249
LIABILITIES			
Non-current liabilities			
Borrowings	*5*	**23,411,611**	22,490,090
Deferred income tax liabilities		**4,219,849**	4,041,526
		27,631,460	26,531,616
Current liabilities			
Trade and other payables	*6*	**11,906,954**	11,234,343
Advances from customers		**2,627,978**	4,073,472
Current income tax liabilities		**4,028,129**	3,701,501
Borrowings	*5*	**8,620,470**	7,536,083
Derivative financial instruments		**67,872**	110,255
		27,251,403	26,655,654
Total liabilities		**54,882,863**	53,187,270
Total equity and liabilities		**81,379,956**	79,127,519

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2017	2016
		Unaudited	Unaudited
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**7,631,035**	6,224,713
Cost of sales	*7*	**(4,867,477)**	(3,912,165)
Gross profit		**2,763,558**	2,312,548
Fair value gains on investment properties – net	*3*	**635,750**	571,426
Selling and marketing costs	*7*	**(254,228)**	(227,377)
Administrative expenses	*7*	**(482,962)**	(444,025)
Other gains – net		**71,048**	53,760
Exchange gains – net		**682**	1,620
Operating profit		**2,733,848**	2,267,952
Finance costs – net	*8*	**(189,342)**	(289,501)
Share of profit of investments accounted for using the equity method		**86,721**	138,063
Profit before income tax		**2,631,227**	2,116,514
Income tax expenses	*9*	**(1,084,184)**	(908,340)
Profit for the period		**1,547,043**	1,208,174
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax		**30,193**	(257)
Total other comprehensive income for the period, net of tax		**30,193**	(257)
Total comprehensive income for the period		**1,577,236**	1,207,917

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Six months ended 30 June	
		2017	2016
		Unaudited	Unaudited
	Note	***RMB'000***	*RMB'000*
Profit attributable to:			
Owners of the Company		**1,490,321**	1,101,360
Holders of Perpetual Capital Instruments		**40,222**	70,155
Non-controlling interests		**16,500**	36,659
		1,547,043	1,208,174
Total comprehensive income attributable to:			
Owners of the Company		**1,520,514**	1,101,103
Holders of Perpetual Capital Instruments		**40,222**	70,155
Non-controlling interests		**16,500**	36,659
		1,577,236	1,207,917
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	*10*		
– Basic		**37.656**	27.869
– Diluted		**37.614**	27.807

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation and accounting policies

The Interim Financial Information has been prepared in accordance with HKAS 34 "Interim Financial Reporting". The Interim Financial Information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except as described below.

(a) Amended standards and interpretations adopted by the Group

Amendment to HKFRS 12	Income taxes
Amendments to HKAS 7	Statement of cash flows
Amendment to HKFRS 12	Disclosure of interest in other entities

The adoption of the above amended standards and interpretations did not have any material impact on the Interim Financial Information except for disclosure.

(b) The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and measurement of Share-based payment transactions	1 January 2018
Amendments to HKFRS 4	Insurance contracts applying HKFRS 9 financial instruments with HKFRS 4 Insurance contracts	1 January 2018
Amendment to HKAS 28	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Lease	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	***To be determined***

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2 Segment information

The executive directors, as the chief operating decision-makers ("CODM") of the Group review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management services and other property development related services. As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

Segment results represent the profit earned by each segment without other losses, unallocated operating costs, finance costs, share of results of associates and joint ventures and income tax expenses. Property management services comprise mainly of provision of property management services and rental assistance services. Other property development related services are mainly operations of hotels. The segment results and other segment items for the six months ended 30 June 2017 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Gross segment revenue	**6,543,749**	**413,497**	**469,802**	**236,642**	**–**	**7,663,690**
Inter-segment revenue	**–**	**–**	**(32,655)**	**–**	**–**	**(32,655)**
Revenue	**6,543,749**	**413,497**	**437,147**	**236,642**	**–**	**7,631,035**
Segment results	**2,032,434**	**866,646**	**50,276**	**(73,282)**	**–**	**2,876,074**
Other gains – net						**71,048**
Share of profit of investments accounted for using equity method						**86,721**
Unallocated operating costs						**(213,274)**
Finance costs – net						**(189,342)**
Profit before income tax						**2,631,227**
Income tax expenses						**(1,084,184)**
Profit for the period						**1,547,043**
Depreciation	**19,572**	**–**	**2,473**	**53,528**	**–**	**75,573**
Amortisation of land use rights recognised as expenses	**–**	**–**	**–**	**15,618**	**–**	**15,618**
Fair value gains on investment properties – net	**–**	**635,750**	**–**	**–**	**–**	**635,750**

The segment results and other segment items for the six months ended 30 June 2016 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Gross segment revenue	5,452,803	316,598	323,698	156,448	–	6,249,547
Inter-segment revenue	–	–	(24,834)	–	–	(24,834)
Revenue	5,452,803	316,598	298,864	156,448	–	6,224,713
Segment results	1,804,450	644,762	32,359	(101,573)	–	2,379,998
Other gains – net						53,760
Share of profit of investments accounted for using equity method						138,063
Unallocated operating costs						(165,806)
Finance costs – net						(289,501)
Profit before income tax						2,116,514
Income tax expenses						(908,340)
Profit for the period						1,208,174
Depreciation	10,568	–	1,924	54,932	–	67,424
Amortisation of land use rights recognised as expenses	–	–	–	17,164	–	17,164
Fair value gains on investment properties – net	–	571,426	–	–	–	571,426

Segment assets and liabilities as at 30 June 2017 are as follows:

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management services** *RMB'000*	**Other property development related services** *RMB'000*	**Elimination** *RMB'000*	**Group** *RMB'000*
Segment assets	**34,250,907**	**37,483,929**	**1,265,137**	**5,329,029**	**(3,058,012)**	**75,270,990**
Other assets						**6,108,966**
Total assets						**81,379,956**
Segment liabilities	**9,012,890**	**1,468,018**	**808,243**	**2,108,358**	**(3,058,012)**	**10,339,497**
Other liabilities						**44,543,366**
Total liabilities						**54,882,863**
Capital expenditure	**99,460**	**746,037**	**1,884**	**56,408**	**–**	**903,789**
Interest in joint ventures						**3,165,071**
Interest in associates						**575,425**

Segment assets and liabilities as at 31 December 2016 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Segment assets	35,476,783	35,355,917	1,040,771	4,003,672	(3,785,495)	72,091,648
Other assets						7,035,871
Total assets						79,127,519
Segment liabilities	10,265,703	1,517,778	786,456	3,070,223	(3,785,495)	11,854,665
Other liabilities						41,332,605
Total liabilities						53,187,270
Capital expenditure	442,883	2,993,033	4,319	172,026	–	3,612,261
Interest in joint ventures						2,276,948
Interest in associates						328,152

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the condensed consolidated interim balance sheet. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment, land use rights and investment properties.

3 Investment properties

	Completed investment properties *RMB'000*	Investment properties under construction *RMB'000*	Total *RMB'000*
Six months ended 30 June 2017			
Opening amount as at 1 January 2017	**31,157,718**	**3,195,679**	**34,353,397**
Additions	**4,171**	**741,866**	**746,037**
Transfers from completed properties held for sale	**406,433**	**–**	**406,433**
Fair value gains – net	**432,976**	**202,774**	**635,750**
Disposal	**(30,837)**	**–**	**(30,837)**
Closing amount as at 30 June 2017	**31,970,461**	**4,140,319**	**36,110,780**
Six months ended 30 June 2016			
Opening amount as at 1 January 2016	22,286,985	6,083,333	28,370,318
Additions	157,681	953,713	1,111,394
Transfers	1,059,018	(1,059,018)	–
Fair value gains – net	106,258	465,168	571,426
Disposal	(14,478)	–	(14,478)
Closing amount as at 30 June 2016	23,595,464	6,443,196	30,038,660

4 Trade and other receivables

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Trade receivables – Third parties *(Note (a))*	**1,279,213**	1,518,093
Less: provision for impairment of trade receivables *(Note (a))*	**(20,413)**	(20,945)
Trade receivables – net	**1,258,800**	1,497,148
Deposits for acquisition of land use rights	**533,200**	514,610
Other receivables	**3,047,805**	2,556,361
– Related parties	**1,271,326**	1,235,468
– Third parties	**1,776,479**	1,320,893
	4,839,805	4,568,119

(a) The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts.

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Not due	**1,221,031**	1,466,684
Over due	**58,182**	51,409
	1,279,213	1,518,093

As at 30 June 2017 and 31 December 2016, the ageing analysis of the overdue trade receivables of the Group were as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Within 180 days	**35,468**	28,737
180 days to 365 days	**9,137**	8,093
Over 365 days	**13,577**	14,579
	58,182	51,409

As at 30 June 2017, trade receivables of RMB34,432,000 (31 December 2016: RMB28,550,000) were past due but not impaired. As the Group normally holds collateral of the properties before collection of the outstanding balances, the Group considers that the past due trade receivables would be recovered and no provision was made.

As of 30 June 2017, trade receivables of RMB23,750,000 were impaired (31 December 2016: RMB22,859,000) and a provision of RMB20,413,000 has been made (31 December 2016: RMB20,945,000). The individually impaired receivables mainly relate to certain lessees of the Group's investment properties, which are in unexpectedly difficult economic situations.

Movements on the provision for impairment of trade receivables are as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
At 1 January	**20,945**	19,165
Provision for receivables impairment	**795**	12,001
Receivables written off during the period as uncollectible	**(1,327)**	(85)
At 30 June	**20,413**	31,081

5 Borrowings

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Borrowings included in non-current liabilities:		
Senior notes	**3,324,825**	3,379,254
– senior notes due September 2021	**1,334,996**	1,364,131
– senior notes due November 2018	**1,351,589**	1,379,565
– senior notes due September 2017	**638,240**	635,558
Bank borrowings – secured	**11,785,474**	9,242,564
Corporate bonds	**12,854,405**	12,870,865
Other borrowings – secured	**712,763**	1,750,190
Less: amounts due within one year	**(5,265,856)**	(4,752,783)
	23,411,611	22,490,090
Borrowings included in current liabilities:		
Bank borrowings – secured	**2,206,414**	1,635,100
Other borrowings – secured	**1,148,200**	1,148,200
Current portion of long-term borrowings	**5,265,856**	4,752,783
	8,620,470	7,536,083
Total borrowings	**32,032,081**	30,026,173

6 Trade and other payables

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Trade payables	**5,255,383**	5,511,247
– Related parties	**29,078**	32,665
– Third parties	**5,221,140**	5,247,531
– Notes payable – third parties	**5,165**	231,051
Other payables and accruals	**5,434,198**	4,648,449
– Related parties	**3,786,497**	3,097,696
– Third parties	**1,647,701**	1,550,753
Payables for retention fee	**578,466**	505,615
Payables for acquisition of land use rights	**232,200**	177,189
Other taxes payable	**406,707**	391,843
	11,906,954	11,234,343

As at 30 June 2017 and 31 December 2016, the ageing analysis of trade payables of the Group based on invoice date were as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Within 90 days	**1,127,581**	2,142,205
Over 90 days and within 180 days	**1,796,480**	1,551,329
Over 180 days and within 365 days	**1,021,623**	893,748
Over 365 days and within 3 years	**1,309,699**	923,965
	5,255,383	5,511,247

7 Expenses by nature

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Cost of properties sold (excluding staff costs)	**4,043,853**	3,170,558
Staff costs (including directors' emoluments)	**517,202**	406,026
Cost of hotel operations (excluding staff costs)	**155,099**	131,738
Advertising costs	**146,245**	97,371
Cost of property management services (excluding staff costs)	**132,408**	89,777
Business taxes and other levies	**118,133**	268,728
Depreciation	**75,573**	67,424
Donations to governmental charity	**32,777**	56,822
Amortisation of land use rights	**15,618**	17,164
Office lease payments	**2,546**	2,215
Auditor's remuneration – audit services	**2,000**	2,000

8 Finance costs – net

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Interest expenses:		
– Bank borrowings and other borrowings	**354,718**	533,183
– Senior notes	**123,340**	176,510
– Corporate bonds	**393,065**	132,473
Less: interest capitalised	**(583,456)**	(731,762)
	287,667	110,404
Foreign exchange (gains)/losses on financing activities – net	**(98,325)**	110,428
Less: capitalised	**–**	(46,064)
	(98,325)	64,364
Early redemption losses	**–**	114,733
	189,342	289,501

9 Income tax expenses

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current income tax:		
– PRC corporate income tax	**567,678**	347,177
– PRC land appreciation tax	**404,980**	389,897
	972,658	737,074
Deferred income tax:		
– PRC corporate income tax	**111,526**	171,266
	1,084,184	908,340

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in the PRC ("**PRC entities**") is 25% according to the Corporate Income Tax Law of the People's Republic of China effective on 1 January 2008.

According to the CIT Law and Implementation Rules, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Group's direct subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the Interim Financial Information as the Group did not have assessable profit in Hong Kong for the period. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

10 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Group and held for the Share Award Scheme.

	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	**1,490,321**	1,101,360
Weighted average number of ordinary shares in issue (thousand shares)	**3,957,753**	3,951,923
Basic earnings per share (RMB cents per share)	**37.656**	27.869

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Awarded shares granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from awarded shares granted by the Company.

	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	**1,490,321**	1,101,360
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**3,962,171**	3,960,711
– Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**3,957,753**	3,951,923
– Adjustment for awarded shares (thousand shares)	**4,418**	8,788
Diluted earnings per share (RMB cents per share)	**37.614**	27.807

11 Dividends

On 23 August 2017, the Board of Directors declared an interim dividend of HK$5.4 cents (equivalent to RMB4.69 cents based on the exchange rate of 30 June 2017) per ordinary share in the form of cash for the six months ended 30 June 2017 (six months ended 30 June 2016: nil). Total amount of interim dividend would be HK$215,854,000 (equivalent to RMB187,474,000) which is calculated according to the number of ordinary shares in issue as of 30 June 2017. This interim dividend has not been recognised as liabilities in this interim financial information.

2016 final cash dividend amounting to HK$639,568,000 (equivalent to RMB556,802,000) (2015: RMB301,397,000) was approved by the annual general meeting of the Company held on 22 May 2017 and paid during the six months ended 30 June 2017. The net dividends of RMB550,308,000 (2015: RMB297,975,000) after deducting dividend of RMB6,494,000 payable to the Share Award Scheme Trust (six months ended 30 June 2016: RMB3,422,000), is treated as transaction with owners in the condensed consolidated interim statement of changes in equity for the six months ended 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Looking back at the first half of 2017, the overall volume and transaction prices of the PRC real estate market continued to rise but began to show stratification across different regions. At the same time, the intensity of governmental control measures varied across regions. Strict control measures continued to be enforced in first and second tier cities, so as to control the overly rapid rise of housing costs in key cities. In third and fourth tier cities, destocking strategies were still in practice, in order for market conditions to improve on both supply and demand fronts. With the macro background that sets the tone of adhering to a living-focused residential housing characteristics, the government has planned for the work focus for the real estate sector in 2017 to be on the strengthening of the segment-differentiated regulation of the real estate market, destocking based on individualized measures appropriate for local conditions, and the continued adherence to living-focused residential housing characteristics. At the same time, regulation of real estate financing is to be strengthened and investment and speculative demands are to be curbed. Simultaneously, the government introduced the regulations relating to the management of residential leasing market, accelerated the formulation of a residential property system promoting both the purchase and renting of properties, and dedicated to the promotion of new-model urbanization. Efforts were also made to deepen household registration system reforms and speed up the development of a long-term mechanism, thereby creating a good environment for the stable and healthy development of the real estate sector.

BUSINESS REVIEW

For the six months ended 30 June 2017, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) property management services; and (iv) other property development related services. During the period under review, property development remained the main revenue stream of the Group.

Property Development

For the six months ended 30 June 2017, the contracted sales of the Group together with its associates and joint ventures reached approximately RMB9,061 million (for the six months ended 30 June 2016: RMB7,509 million), representing an increase of approximately 20.7% as compared with the corresponding period in 2016. For the six months ended 30 June 2017, the contracted sales area of the Group together with its associates and joint ventures amounted to approximately 658,446 square meters (for the six months ended 30 June 2016: 693,815 square meters), representing a decrease of approximately 5.1% as compared with the corresponding period in 2016.

During the period under review, the Group leveraged on an experienced management team and a comprehensively organized marketing team to further enhance the marketing capability of the Group, and the Group was able to recognize the market trend, proactively respond to market changes and flexibly adjust sales strategies in different regions and projects. The key contributing projects of the Group were located in Shanghai, Suzhou, Xuzhou, Hangzhou and Xiamen.

Set forth below is the distribution of contracted sales during the period under review:

Distribution	For the six months ended 30 June 2017 Sales area	Sales amount	Average selling price
	sq.m.	*RMB'000*	*RMB/sq.m.*
Commercial	219,399	4,195,745	19,124
Residential	439,047	4,865,349	11,082
Total	658,446	9,061,094	13,761

Investment Properties and Property Management Services

To generate a stable and recurring income, the Group also retains and operates certain commercial properties for leasing. As at 30 June 2017, the Group had an aggregate gross floor area ("**GFA**") of approximately 3,939,412 square meters (as at 31 December 2016: 3,865,950 square meters) held as investment properties (including completed properties and properties under construction), representing an increase of approximately 1.9% as compared with that as at 31 December 2016.

As at 30 June 2017, the Group operated and managed 32 commercial plazas, with the number of operating projects and size of operating area both being amongst the forefront of the industry. In January 2017, Yangzhou Powerlong Plaza, which is operated by the Group, successfully commenced operation. It was the first project successfully operated with the idea of "super home", which focuses on family-based leisure consumption experience and is an important product line for community commerce.

Hotel Development

The Group continued to develop its hotel business as its long-term recurring income stream. Its core businesses consist of international branded hotels and self-established chain hotel brands. As at 30 June 2017, the Group owned nine international brand hotels, namely Le Méridien Shanghai Minhang (上海閔行寶龍艾美酒店), Radisson Blu Shanghai Pudong Jinqiao (上海寶龍麗笙酒店), Radisson Exhibition Center Shanghai (上海國展寶龍麗筠酒店), Four Points by Sheraton Taicang (太倉寶龍福朋喜來登酒店), Four Points by Sheraton Tai'an (泰安寶龍福朋喜來登酒店), Four Points by Sheraton Qingdao, Chengyang (青島城陽寶龍福朋喜來登酒店), Aloft Haiyang (海陽雅樂軒酒店), Aloft Yancheng (鹽城雅樂軒酒店) and Days Hotel Powerlong Chongqing (重慶寶龍戴斯大酒店), owned and operated four self-established chain hotels, namely Powerlong Inn. Penglai (蓬萊寶龍客棧), ARTELS Qingdao (青島寶龍藝築酒店), ARTELS Anxi (安溪寶龍藝築酒店) and ARTEL+ Huaian Jiangsu (江蘇淮安藝悦酒店).

Land Bank Replenishment

The Group's strategy is to maintain a land bank portfolio sufficient to support the Group's own development pipeline for the next three to five years. The Group adhered to the development strategy of "Focus on Shanghai and Intensive Development in Yangtze River Delta", and executed its "1+6+N" development with precision through extensive planning. While strictly following the value investment principles, the Group had acquired the projects through various channels.

As at 30 June 2017, the Group had a quality land bank amounting to a total GFA of approximately 11.2 million square meters, of which approximately 5.7 million square meters were properties under development and construction and approximately 5.5 million square meters were properties held for future development. The land bank under development will be used for the development of large-scale commercial and residential properties with cinema complexes, supermarkets, food courts, sports and leisure facilities, quality residential properties, furnished apartments, office buildings and hotels. Currently, more than half of the land bank of the Group is located in the Yangtze River Delta region.

During the period under review, the Group upheld cautious and stringent standards on land investment decision and acquired the following quality land parcels:

Project/Location	**Usage**	**Attributable interest**	**Site area**	**Total GFA***
			sq.m.	*sq.m.*
Fujian Jinjiang	Commercial/ residential	100%	42,117	126,351
Hangzhou Linan	Commercial/ residential	82%	94,977	248,365
Yangpu Waitan	Commercial	100%	36,490	109,469
Ningbo Gaoxing	Commercial	90%	72,102	252,357
Ningbo Powerlong Land	Commercial	82%	24,676	49,352
Ningbo Tianshui 2#	Residential	41%	51,616	103,232
Total			321,978	889,126

* *Total GFA excludes underground and car parking spaces*

OUTLOOK

In the second half of year 2017, the real estate policy of the PRC will focus on maintaining stability. The possibility of a substantial rise in housing cost or the implementation of tightened government policies is not high. It is expected that in 2017 the overall real estate market of the PRC will record a slight growth. The Group will adhere to its 2017 working direction of "Passionate Team, Efficient Management, Quality Products and Benchmarking Achievements" as formulated at the beginning of the year, to realize the annual sales target of RMB20 billion and to make progress in accordance with the five-year plan.

With respect to the expansion of its land bank, the Group will continue to hold on to its "1+6+N" precision development strategic layout with a view to strengthening its diversified development. The Group will keep abreast of the development of government policies in a timely manner and explore channels for securing and developing resources. The Group will remain diversified in its land acquisition channels and step up efforts in collaborative mergers and acquisitions.

The Group will continue in its pursuit of quality and fineness, to create customer value, to instill the notion of quality into the Group's genes, and deliver quality products as a matter of practice. The Group aims to become a well-respected developer that delivers high-quality property products. With regard to management, the Group will speed up institutional innovation and enhance management effectiveness. Regarding commercial operation, the Group will continue to uphold and strengthen benchmark construction. At the same time, subject to satisfying the prerequisite of customers' demands, the Group will continue to undertake comprehensive customer-oriented plans and enhance service quality.

The Group will continue the precise positioning of its hotel management businesses. Riding on high-quality opening of self-operated artistic hotels, the Group aims to establish a unique brand of self-owned chain.

The Group will also continue to optimize its debt structure and control finance costs. Simultaneously, it will enhance management efficiency through adopting SAP system and process re-engineering.

Attaching great importance to creating an environment for talents, the Group will foster capacity building by providing a platform upon which all staff members can utilize their potentials to the fullest, and unleash their energy to the fullest extent. The Group will also maintain its cultural development and uphold the entrepreneurial spirit to develop managers' devotion to their careers. The Group will devote greater care to its staff, and incubate the sense of belongings on the ethos of "Shared Devotion, Pathway and Passion", in order to create a cheerful and exciting atmosphere in the workplace.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises of property sales, rental income from investment properties, income from property management services and other income from property development related services. For the six months ended 30 June 2017, the Group recorded a total revenue of approximately RMB7,631 million (for the six months ended 30 June 2016: approximately RMB6,225 million), representing an increase of approximately 22.6% as compared with the corresponding period in 2016. This was mainly attributable to an increase in revenue from each business category.

Property Sales

During the period under review, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. Revenue from properties sold and delivered during the six months ended 30 June 2017 amounted to approximately RMB6,544 million (for the six months ended 30 June 2016: approximately RMB5,453 million), representing an increase of approximately 20.0% as compared with the corresponding period in 2016. This was mainly attributable to an increase in delivered GFA as compared with that of the corresponding period last year.

Set forth below are the distribution of the properties sold and delivered during the period under review:

		For the six months ended 30 June 2017		
		GFA sold & delivered	**Amount sold & delivered**	**Average selling price**
		sq.m.	*RMB'000*	*RMB/sq.m.*
Shanghai Qibao Powerlong City	Commercial	30,376	787,343	25,920
Shanghai Hongqiao Powerlong Land	Commercial	2,272	47,230	20,788
	Residential	185	3,986	21,546
Shanghai Baoshan Powerlong Plaza	Commercial	468	13,358	28,543
Shanghai Lingang Powerlong Mansion	Commercial	276	7,104	25,739
	Residential	20,492	342,391	16,709
Shanghai Wujing Powerlong Plaza	Commercial	17,920	417,368	23,291
Shanghai Qingpu Powerlong Plaza	Commercial	37,854	747,335	19,743
Shanghai Jiading Powerlong Plaza	Commercial	1,578	52,976	33,572

		For the six months ended 30 June 2017		
		GFA sold & delivered	**Amount sold & delivered**	**Average selling price**
		sq.m.	*RMB'000*	*RMB/sq.m.*
Changzhou Powerlong Plaza	Commercial	22,198	126,638	5,705
Wuxi Wangzhuang Powerlong Plaza	Residential	724	3,550	4,903
Wuxi Yuqi Powerlong Riverside Garden	Residential	817	3,863	4,728
Zhenjiang Powerlong Plaza	Commercial	11,482	53,783	4,684
Suzhou Taicang Powerlong Plaza	Commercial	154	965	6,266
Huai'an Powerlong Land	Commercial	7,970	61,720	7,744
Hangzhou Xiasha Powerlong Plaza	Commercial	11,382	131,239	11,530
	Residential	947	17,868	18,868
Hangzhou Binjiang Powerlong City	Commercial	1,814	78,305	43,167
Hangzhou Fuyang Powerlong Plaza	Commercial	8,286	93,939	11,337
	Residential	1,861	21,172	11,377
Tianjin Powerlong City	Commercial	16,335	343,088	21,003
	Residential	257,954	1,986,010	7,699
Dongying Powerlong Plaza	Commercial	1,367	8,816	6,449
	Residential	1,371	10,891	7,944
Qingdao Licang Powerlong Plaza	Commercial	285	2,686	9,425
Qingdao Jimo Powerlong Plaza	Residential	702	2,839	4,044
Jiaozhou Powerlong Plaza	Commercial	22,941	123,180	5,369
Jiaozhou Powerlong Art Villa	Residential	30,375	296,118	9,749
Tai'an Powerlong Plaza	Commercial	182	1,259	6,918
Yantai Penglai Powerlong Plaza	Commercial	6,142	52,905	8,614
	Residential	10,795	73,233	6,784

		For the six months ended 30 June 2017		
		GFA sold & delivered	**Amount sold & delivered**	**Average selling price**
		sq.m.	*RMB'000*	*RMB/sq.m.*
Yantai Haiyang Powerlong City	Residential	4,677	20,513	4,386
Yantai Laishan Powerlong Plaza	Commercial	7,219	52,396	7,258
Luoyang Powerlong Plaza	Commercial	6,755	51,185	7,577
	Residential	313	1,380	4,409
Xinxiang Powerlong Plaza	Commercial	969	2,773	2,862
	Residential	3,835	30,248	7,887
Chongqing Hechuan Powerlong Plaza	Commercial	2,099	12,549	5,979
	Residential	893	3,384	3,789
Xiamen Powerlong One Mall	Commercial	2,411	70,594	29,280
Quanzhou Anxi Powerlong Plaza	Commercial	1,723	26,490	15,374
Quanzhou Jinjiang Powerlong Plaza	Commercial	266	4,358	16,383
	Residential	40,074	239,814	5,984
Quanzhou Yongchun Powerlong Plaza	Commercial	1,391	9,094	6,538
	Residential	3,187	16,687	5,236
Zhangzhou Yunxiao General Avenue No. 1	Commercial	5,869	51,987	8,858
	Residential	7,479	37,139	4,966
Total		616,665	6,543,749	10,612
	Commercial	229,984	3,432,663	14,926
	Residential	386,681	3,111,086	8,046

Rental Income from Investment Properties and Income from Property Management Services

For the six months ended 30 June 2017, the Group recorded rental income from investment properties of approximately RMB414 million (for the six months ended 30 June 2016: RMB317 million), representing an increase of approximately 30.6% as compared to the amount in the corresponding period in 2016.

For the six months ended 30 June 2017, income from property management services was mainly derived from the provision of property management services and rental assistance services (after intra-group elimination). Net income amounted to approximately RMB437 million (for the six months ended 30 June 2016: approximately RMB299 million), representing an increase of approximately 46.2% as compared to the amount in the corresponding period in 2016.

For the six months ended 30 June 2017, the rental income from investment properties and income from property management services amounted to RMB851 million (for the six months ended 30 June 2016: approximately RMB616 million), representing an increase of approximately 38.1% as compared to the amount in the corresponding period in 2016. In addition to the commercial and residential properties held and managed by the Group, rental income and property management fee generated from shopping malls operated by the Group also increased as a result of the continuous enhancement of capability in commercial operation and increased market penetration rate by attracting the different business forms, which met the consumption needs of the local market and in turn attracted a number of new tenants.

Income from Other Property Development Related Services

Income from other property development related services mainly comprises income from hotel operation and revenue from construction and decoration services. For the six months ended 30 June 2017, income from other property development related services generated by the Group amounted to RMB237 million (for the six months ended 30 June 2016: approximately RMB156 million), representing an increase of approximately 51.9% as compared to the amount in the corresponding period in 2016, mainly due to a year-on-year increase of the income of the Company from hotel operation.

Cost of Sales

Cost of sales mainly represents the cost directly related to the development of the Group's properties. It comprises cost of land use rights, construction costs, decoration costs, capitalized interest expenses and business taxes. For the six months ended 30 June 2017, cost of sales amounted to approximately RMB4,867 million (for the six months ended 30 June 2016: approximately RMB3,912 million), representing an increase of approximately 24.4% as compared to the amount in the corresponding period in 2016, mainly due to the increase in total costs as a result of the increase in total GFA of properties sold and delivered during the period under review.

Gross Profit and Margin

For the six months ended 30 June 2017, gross profit increased to RMB2,764 million (for the six months ended 30 June 2016: approximately RMB2,313 million), representing an increase of approximately 19.5% as compared with the corresponding period in 2016. Gross profit margin slightly decreased from 37.2% in the corresponding period in 2016 to 36.2% for the six months ended 30 June 2017, but was still higher than the annual gross profit margin level of 33.4% of 2016, mainly because the ratio of residential area of delivered projects was higher than that of the corresponding period last year.

Fair Value Gains of Investment Properties

For the six months ended 30 June 2017, the Group recorded revaluation gains of approximately RMB636 million (for the six months ended 30 June 2016: approximately RMB571 million), representing an increase of approximately 11.4% over the amount in the corresponding period in 2016. The increase in revaluation gains was mainly due to the appreciation of the value of investment properties in first-tier and second-tier cities during the period under review.

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2017, selling and marketing costs and administrative expenses amounted to approximately RMB737 million (for the six months ended 30 June 2016: approximately RMB671 million), representing an increase of approximately 9.8% as compared with that in the corresponding period in 2016, which was mainly due to the Group's business expansion, which in turn caused the expansion in scale of sales and management projects. The Group will continue to exercise stringent control over expenses and costs whilst at the same time strive to continue the Group's business expansion.

Share of Profit of Investments Accounted for Using the Equity Method

For the six months ended 30 June 2017, share of post-tax profit of joint ventures and associates amounted to approximately RMB87 million (for the six months ended 30 June 2016: approximately RMB138 million), representing a decrease of approximately 37.0% as compared with the corresponding period in 2016, mainly due to the increase of project related expenses of associated companies.

Income Tax Expenses

Income tax expenses amounted to RMB1,084 million (for the six months ended 30 June 2016: RMB908 million) for the six months ended 30 June 2017, representing an increase of approximately 19.4% as compared with the corresponding period in 2016, primarily due to the stable growth of operating profit.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2017, the Group recorded a profit attributable to owners of the Company of approximately RMB1,490 million (for the six months ended 30 June 2016: approximately RMB1,101 million), representing an increase of approximately 35.3% over the corresponding period in 2016.

For the six months ended 30 June 2017, basic earnings per share was approximately RMB37.7 cents (for the six months ended 30 June 2016: approximately RMB27.9 cents), representing an increase of approximately 35.1% over the corresponding period in 2016.

Core earnings (excluding the fair value gains on investment properties during the period under review) for the six months ended 30 June 2017 reached approximately RMB1,070 million (for the six months ended 30 June 2016: RMB780 million), increased by approximately 37.2% as compared with that in the corresponding period in 2016.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank and other borrowings and cash proceeds raised from the issue of bonds, which were used as working capital and investment in development projects.

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB9,198 million in total as at 30 June 2017 (as at 31 December 2016: approximately RMB10,148 million).

Borrowings

Total borrowings of the Group as at 30 June 2017 was approximately RMB32,032 million, comprising bank and other borrowings of approximately RMB15,853 million, corporate bonds of approximately RMB12,854 million and senior notes of approximately RMB3,325 million.

Out of the total borrowings, RMB8,620 million was repayable within one year, while approximately RMB23,412 million was repayable after one year.

Net Gearing Ratio

As at 30 June 2017, the Group's net gearing ratio (which is calculated by dividing total borrowings less cash and cash equivalents and restricted cash over total equity) was approximately 86.2% (as at 31 December 2016: approximately 76.6%).

Borrowing Costs

Total interest expenses for the six months ended 30 June 2017 amounted to approximately RMB871 million (for the six months ended 30 June 2016: approximately RMB842 million), representing an increase of approximately 3.4% as compared to the corresponding period in 2016, mainly due to an increase in total borrowings. The effective interest rate decreased from approximately 6.73% in the corresponding period for 2016 to approximately 6.09% for 2017, which was mainly due to the Group's implementation of effective debt management.

Credit Policy

Trade receivables mainly arises from sales and lease of properties. Receivables in respect of sales and lease of properties are settled in accordance with the terms stipulated in the sale and purchase agreements or lease agreements.

Pledge of Assets

As at 30 June 2017, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of approximately RMB26,441 million (as at 31 December 2016: RMB27,658 million) to secure borrowings of the Group. The total secured borrowings as at 30 June 2017 amounted to approximately RMB15,853 million (as at 31 December 2016: approximately RMB13,776 million).

Contingent Liabilities

As at 30 June 2017, the Group had no significant contingent liabilities.

Financial Guarantees

The face value of the financial guarantees issued by the Group is analysed as below:

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**10,099,493**	9,290,180
Guarantees for borrowings of joint ventures	**1,958,000**	1,895,000
	12,057,493	11,185,180

Commitments

(1) Commitments for property development expenditures

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Contracted but not provided for		
– Property development activities	**4,030,667**	5,432,836
– Acquisition of land use rights	**2,714,997**	85,540
	6,745,664	5,518,376

(2) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Not later than one year	**5,505**	3,645
Later than one year and not later than two years	**3,165**	3,005
Later than two years and not later than three years	**360**	424
	9,030	7,074

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. The major non-RMB financial assets or liabilities as at 30 June 2017 are the Group's borrowing denominated in US$ or HK$ totalling approximately RMB4,587 million. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pay to shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 June 2017, the Group did not have any material acquisition or disposal.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2017, the Group employed a total of 8,949 full-time employees (as at 31 December 2016: 8,719 employees). The total staff costs of the Group incurred during the period under review was approximately RMB517 million. The Group adopts a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the pay level in the industry. In relation to staff training, the Group also provides different types of training programs for its staff to improve their skills and develop their respective expertise.

INTERIM DIVIDEND

Payment of Interim Dividend

The Board of Directors declared an interim dividend of HK$5.4 cents per ordinary share for the six months ended 30 June 2017.

The interim dividend will be paid on or around Wednesday, 15 November 2017 to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on Monday, 6 November 2017.

Closure of Register of Members

For the purpose of ascertaining Shareholders' entitlement to the interim dividend for the six months ended 30 June 2017, the register of members of the Company will be closed from Wednesday, 1 November 2017 to Monday, 6 November 2017, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be qualified for the interim dividend for the six months ended 30 June 2017, all transfer documents, accompanied by the relevant share certificates, must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 31 October 2017.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investor's confidence in the Company and the Company's accountability. Throughout the six months ended 30 June 2017, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code as set forth in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. After specific inquiry to all Directors, it is confirmed that all Directors have complied with the required standard set out in the Model Code for the six months ended 30 June 2017. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with guidelines on securities transactions on no less exacting terms than the Model Code. No incident of non-compliance was noted by the Company to date.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and to the best knowledge of the Directors, throughout the six months ended 30 June 2017, the Company had maintained a sufficient public float of more than 25% of the Company's total number of issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls and set out the written terms of reference for the committee. The Audit Committee comprises three members who are the independent non-executive Directors of the Company, namely Dr. Ngai Wai Fung, Dr. Mei Jian Ping and Dr. Ding Zu Yu.

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2017 with the Company's management. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules is to be dispatched to the Shareholders and made available for review on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.powerlong.com in due course.

By Order of the Board
Powerlong Real Estate Holdings Limited
Hoi Kin Hong
Chairman

Hong Kong, 23 August 2017

As at the date of this announcement, the executive Directors are Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni and Mr. Zhang Hong Feng; the non-executive Director is Ms. Hoi Wa Fan; and the independent non-executive Directors are Dr. Ngai Wai Fung, Dr. Mei Jian Ping and Dr. Ding Zu Yu.