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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)**

### **2016 ANNUAL RESULTS ANNOUNCEMENT**

#### **SUMMARY OF RESULTS**

- For the year ended 31 December 2016, contracted sales amounted to approximately RMB17,642 million, representing an increase of approximately 23.3% as compared with the corresponding period in 2015.
- For the year ended 31 December 2016, revenue amounted to approximately RMB14,296 million, representing an increase of approximately 20.1% as compared with the corresponding period in 2015.
- For the year ended 31 December 2016, rental income and income from property management services amounted to approximately RMB1,391 million, representing an increase of approximately 26.3% as compared with the corresponding period in 2015.
- For the year ended 31 December 2016, gross profit margin amounted to 33.4%, representing an increase as compared with 32.9% of the corresponding period in 2015.
- For the year ended 31 December 2016, net profit amounted to approximately RMB2,749 million, representing an increase of approximately 17.7% as compared with the corresponding period in 2015.
- For the year ended 31 December 2016, core earnings (being the profit for the year after excluding the profit attributable to fair value gains on investment properties) was approximately RMB1,609 million, representing an increase of approximately 33.3% as compared with the corresponding period in 2015.
- For the year ended 31 December 2016, the Board recommends the payment of a final dividend of HK\$16.0 cents per ordinary share, representing an increase of approximately 77.8% as compared with 2015.

The board (the “Board”) of directors (the “Directors”) of Powerlong Real Estate Holdings Limited (the “Company”) is pleased to announce its annual consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2016, together with comparative figures for the year ended 31 December 2015, which is set out below.

## CONSOLIDATED BALANCE SHEET

		<b>31 December</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		2,797,942	2,354,664
Land use rights		1,050,746	1,033,527
Investment properties	3	34,353,397	28,370,318
Investments accounted for using the equity method		2,605,100	1,523,949
Deferred income tax assets		359,998	394,724
Available-for-sale financial assets		413,250	318,000
Prepayments		724,667	407,880
		<u>42,305,100</u>	<u>34,403,062</u>
<b>Current assets</b>			
Properties under development		8,940,371	13,010,714
Completed properties held for sale		11,302,986	9,086,095
Trade and other receivables	4	4,568,119	2,392,543
Prepayments		1,417,199	671,529
Prepaid taxes		418,440	356,048
Available-for-sale financial assets		–	16,491
Financial assets at fair value through profit or loss		27,003	–
Restricted cash		1,174,497	1,085,889
Cash and cash equivalents		8,973,804	5,639,843
		<u>36,822,419</u>	<u>32,259,152</u>
<b>Total assets</b>		<u><b>79,127,519</b></u>	<u><b>66,662,214</b></u>

		<b>31 December</b>	
		<b>2016</b>	2015
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and share premium		<b>2,683,046</b>	2,979,696
Other reserves		<b>654,900</b>	656,386
Retained earnings		<b>19,280,371</b>	16,808,903
		<hr/> <b>22,618,317</b>	<hr/> 20,444,985
<b>Perpetual Capital Instruments</b>		<b>1,730,075</b>	1,305,161
<b>Non-controlling interests</b>		<b>1,591,857</b>	1,008,383
		<hr/> <b>25,940,249</b>	<hr/> 22,758,529
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	5	<b>22,490,090</b>	16,635,538
Deferred income tax liabilities		<b>4,041,526</b>	3,685,327
Derivative financial instruments		–	170,907
		<hr/> <b>26,531,616</b>	<hr/> 20,491,772
<b>Current liabilities</b>			
Trade and other payables	6	<b>11,234,343</b>	9,950,897
Advances from customers		<b>4,073,472</b>	4,563,340
Current income tax liabilities		<b>3,701,501</b>	2,815,776
Borrowings	5	<b>7,536,083</b>	6,010,951
Derivative financial instruments		<b>110,255</b>	70,949
		<hr/> <b>26,655,654</b>	<hr/> 23,411,913
<b>Total liabilities</b>		<hr/> <b>53,187,270</b>	<hr/> 43,903,685
<b>Total equity and liabilities</b>		<hr/> <b>79,127,519</b>	<hr/> 66,662,214

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	<b>Year ended 31 December</b>	
		<b>2016</b>	<b>2015</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Revenue	2	<b>14,295,617</b>	11,907,300
Cost of sales	7	<b>(9,517,476)</b>	(7,985,447)
<b>Gross profit</b>		<b>4,778,141</b>	3,921,853
Fair value gains on investment properties – net	3	<b>1,519,884</b>	1,503,628
Selling and marketing costs	7	<b>(480,839)</b>	(486,118)
Administrative expenses	7	<b>(756,913)</b>	(735,212)
Other gains/(losses) – net	8	<b>9,857</b>	(140,586)
Exchange gains/(losses) – net		<b>2,343</b>	(9,178)
<b>Operating profit</b>		<b>5,072,473</b>	4,054,387
Finance costs – net	9	<b>(678,968)</b>	(364,189)
Share of profit of investments accounted for using the equity method		<b>314,295</b>	157,659
<b>Profit before income tax</b>		<b>4,707,800</b>	3,847,857
Income tax expenses	10	<b>(1,958,596)</b>	(1,512,768)
<b>Profit for the year</b>		<b>2,749,204</b>	2,335,089
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Change in fair value of available-for-sale financial assets, net of tax		<b>11,180</b>	8,549
<b>Total other comprehensive income for the year, net of tax</b>		<b>11,180</b>	8,549
<b>Total comprehensive income for the year</b>		<b>2,760,384</b>	2,343,638

	<b>Year ended 31 December</b>	
	<b>2016</b>	2015
<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Profit attributable to:</b>		
Owners of the Company	<b>2,464,682</b>	2,071,110
Holders of Perpetual Capital Instruments	<b>145,765</b>	153,100
Non-controlling interests	<b>138,757</b>	110,879
	<u><b>2,749,204</b></u>	<u>2,335,089</u>
 <b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>2,475,862</b>	2,079,659
Holders of Perpetual Capital Instruments	<b>145,765</b>	153,100
Non-controlling interests	<b>138,757</b>	110,879
	<u><b>2,760,384</b></u>	<u>2,343,638</u>
 Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)		
	<i>11</i>	
– Basic	<b>62.321</b>	52.408
– Diluted	<b>62.220</b>	52.319
	<u><b>62.321</b></u>	<u>52.408</u>
	<u><b>62.220</b></u>	<u>52.319</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss, investment properties and derivative financial instruments which are carried at fair value.

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

### (a) New and amended standards adopted by the Group

HKFRS 14	Regulatory deferral accounts
Amendment to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendment to HKAS 16 and 38	Clarification of acceptable methods of depreciation and amortization
Amendment to HKAS 16 and 41	Agriculture: bearer plants
HKAS 27	Equity method in separate financial statements
Annual improvements 2014	2012-2014 cycle of the annual improvements project
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative

The adoption of these amendments did not have any significant impact on the current period or prior period and is not likely to affect future periods.

### (b) New and amended standards not yet adopted

The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendment to HKAS 10 and 28	Sale or contribution of assets between an investor and its associate or joint venture	Deferred

## 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.

Revenue consists of sales of properties, rental income of investment properties, income of property management services and other property development related services. Revenue of the year consists of the following:

	<b>Year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b><i>RMB’000</i></b>	<b><i>RMB’000</i></b>
Sales of properties	<b>12,530,000</b>	10,480,514
Rental income of investment properties	<b>599,626</b>	552,096
Income of property management services	<b>791,145</b>	549,030
Income of other property development related services	<b>374,846</b>	325,660
	<b><u>14,295,617</u></b>	<b><u>11,907,300</u></b>

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 year ended 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
Gross segment revenue	12,530,000	599,626	909,057	374,846	-	14,413,529
Inter-segment revenue	-	-	(117,912)	-	-	(117,912)
Revenue	<u>12,530,000</u>	<u>599,626</u>	<u>791,145</u>	<u>374,846</u>	-	<u>14,295,617</u>
Segment results	3,739,435	1,801,342	42,257	(179,571)	-	5,403,463
Other gains – net						9,857
Share of profit of investments accounted for using the equity method						314,295
Unallocated operating costs						(340,847)
Finance costs – net						<u>(678,968)</u>
Profit before income tax						4,707,800
Income tax expenses						<u>(1,958,596)</u>
Profit for the year						<u>2,749,204</u>
Depreciation	11,926	-	6,813	116,889	-	135,628
Amortisation of land use rights recognised as expenses	-	-	-	22,694	-	22,694
Fair value gains on investment properties – net	-	1,519,884	-	-	-	<u>1,519,884</u>



The segment results and other segment items included in the profit for the year ended 31 December 2015 are as follows:

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management services <i>RMB'000</i>	Other property development related services <i>RMB'000</i>	Elimination <i>RMB'000</i>	Group <i>RMB'000</i>
Gross segment revenue	10,480,514	552,096	622,067	325,660	–	11,980,337
Inter-segment revenue	–	–	(73,037)	–	–	(73,037)
Revenue	<u>10,480,514</u>	<u>552,096</u>	<u>549,030</u>	<u>325,660</u>	<u>–</u>	<u>11,907,300</u>
Segment results	2,866,922	1,693,231	1,588	(50,983)	–	4,510,758
Other losses – net						(140,586)
Share of profit of investments accounted for using the equity method						157,659
Unallocated operating costs						(315,785)
Finance costs – net						<u>(364,189)</u>
Profit before income tax						3,847,857
Income tax expenses						<u>(1,512,768)</u>
Profit for the year						<u>2,335,089</u>
Depreciation	11,030	–	5,838	116,401	–	133,269
Amortisation of land use rights recognised as expenses	–	–	–	22,853	–	22,853
Fair value gains on investment properties – net	–	1,503,628	–	–	–	<u>1,503,628</u>

Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2016 and capital expenditure for the year then ended are as follows:

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

Segment assets, liabilities and interests in joint ventures and an associate as at 31 December 2015 and capital expenditure for the year then ended are as follows:

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management services <i>RMB'000</i>	Other property development related services <i>RMB'000</i>	Elimination <i>RMB'000</i>	Group <i>RMB'000</i>
Segment assets	30,808,047	29,339,716	769,988	3,824,129	(3,052,907)	61,688,973
Other assets						<u>4,973,241</u>
Total assets						<u>66,662,214</u>
Segment liabilities	9,416,333	1,760,445	785,398	2,350,775	(3,052,907)	11,260,044
Other liabilities						<u>32,643,641</u>
Total liabilities						<u>43,903,685</u>
Capital expenditure	577,015	1,748,318	5,487	266,168	–	<u>2,596,988</u>
Interests in joint ventures						<u>1,488,849</u>
Interests in an associate						<u>35,100</u>

Segment assets are reconciled to total assets as follows:

	<b>31 December</b>	
	<b>2016</b>	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	<b>72,091,648</b>	61,688,973
Other assets		
– Prepaid taxes	<b>418,440</b>	356,048
– Deferred income tax assets	<b>359,998</b>	394,724
– Unallocated cash and cash equivalents and restricted cash	<b>4,522,227</b>	3,431,264
– Other receivables from related parties	<b>1,235,468</b>	288,651
– Unallocated property and equipment	<b>80,185</b>	80,692
– Other corporate assets	<b>6,303</b>	87,371
– Available-for-sale financial assets	<b>413,250</b>	334,491
	<hr/>	<hr/>
Total assets	<b>79,127,519</b>	66,662,214
	<hr/>	<hr/>

Segment liabilities are reconciled to total liabilities as follows:

	<b>31 December</b>	
	<b>2016</b>	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Segment liabilities	<b>11,854,665</b>	11,260,044
Other liabilities		
– Current income tax liabilities	<b>3,701,501</b>	2,815,776
– Deferred income tax liabilities	<b>4,041,526</b>	3,685,327
– Current borrowings	<b>7,536,083</b>	6,010,951
– Non-current borrowings	<b>22,490,090</b>	16,635,538
– Other payables to related parties	<b>3,097,696</b>	2,995,850
– Other corporate liabilities	<b>465,709</b>	500,199
	<hr/>	<hr/>
Total liabilities	<b>53,187,270</b>	43,903,685
	<hr/>	<hr/>

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 consolidated 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 consolidated financial statements. 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 <i>RMB'000</i>	Investment properties under construction <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended 31 December 2016</b>			
At 1 January 2016	22,286,985	6,083,333	28,370,318
Additions	68,345	2,924,688	2,993,033
Transfers	6,443,960	(6,443,960)	–
Transfers from completed properties held for sale	1,490,279	–	1,490,279
Fair value gains – net	888,266	631,618	1,519,884
Disposals	(20,117)	–	(20,117)
	<b>31,157,718</b>	<b>3,195,679</b>	<b>34,353,397</b>
<b>Year ended 31 December 2015</b>			
At 1 January 2015	19,138,427	5,243,169	24,381,596
Additions	10,602	1,737,716	1,748,318
Transfers	2,783,891	(2,783,891)	–
Transfers from completed properties held for sale	736,776	–	736,776
Fair value (losses)/gains – net	(382,711)	1,886,339	1,503,628
	<b>22,286,985</b>	<b>6,083,333</b>	<b>28,370,318</b>

### 4 TRADE AND OTHER RECEIVABLES

	31 December 2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade receivables – third parties ( <i>Note (a)</i> )	1,518,093	1,213,454
Less: provision for impairment of trade receivables ( <i>Note (a)</i> )	(20,945)	(19,165)
Trade receivables – net	1,497,148	1,194,289
Deposits for acquisition of land use rights	514,610	171,600
Other receivables from:	2,556,361	1,026,654
– Related parties	1,235,468	288,651
– Third parties	1,320,893	738,003
	<b>4,568,119</b>	<b>2,392,543</b>

- (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.

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	<b>RMB'000</b>
Not due	<b>1,466,684</b>	1,098,078
Overdue	<b>51,409</b>	115,376
	<b>1,518,093</b>	1,213,454

The ageing analysis of overdue trade receivables as at 31 December 2016 and 2015 is as follows:

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	<b>RMB'000</b>
Within 180 days	<b>28,737</b>	57,349
180 days to 365 days	<b>8,093</b>	43,884
Over 365 days	<b>14,579</b>	14,143
	<b>51,409</b>	115,376

As at 31 December 2016, trade receivables of RMB28,550,000 (2015: RMB94,251,000) were past due but not impaired. As the Group normally holds collateral of the properties before collection of the outstanding balances, the Group consider that these past due trade receivables would be recovered and no provision was made.

As at 31 December 2016, trade receivables of RMB22,859,000 were past due and impaired (2015: RMB21,125,000) and a provision of RMB20,945,000 (2015: RMB19,165,000) has been made. 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:

	<b>Year ended 31 December</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	<b>RMB'000</b>
At 1 January	<b>19,165</b>	26,558
Provision for impairment	<b>1,824</b>	8,903
Receivables written off during the year as uncollectible	<b>(44)</b>	(16,296)
At 31 December	<b>20,945</b>	19,165

## 5 BORROWINGS

	<b>31 December</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings included in non-current liabilities:		
Senior notes	<b>3,379,254</b>	5,277,750
– senior notes due September 2021	<b>1,364,131</b>	–
– senior notes due November 2018	<b>1,379,565</b>	1,283,462
– senior notes due September 2017	<b>635,558</b>	1,524,981
– senior notes due January 2018	–	1,665,367
– senior notes due May 2016	–	803,940
Corporate bonds	<b>12,870,865</b>	993,458
Bank borrowings – secured	<b>9,242,564</b>	12,605,732
Other borrowings – secured	<b>1,750,190</b>	1,653,074
Less: amounts due within one year	<b>(4,752,783)</b>	(3,894,476)
	<b>22,490,090</b>	16,635,538
Borrowings included in current liabilities:		
Bank borrowings	<b>1,635,100</b>	2,035,475
– secured	<b>1,635,100</b>	2,009,575
– unsecured	–	25,900
Other borrowings	<b>1,148,200</b>	81,000
– secured	<b>1,148,200</b>	60,000
– unsecured	–	21,000
Current portion of long-term borrowings	<b>4,752,783</b>	3,894,476
	<b>7,536,083</b>	6,010,951
Total borrowings	<b>30,026,173</b>	22,646,489

## 6 TRADE AND OTHER PAYABLES

	<b>31 December</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<b>5,511,247</b>	4,852,330
– Related parties	<b>32,665</b>	31,859
– Third parties	<b>5,247,531</b>	4,249,674
– Notes payable – third parties	<b>231,051</b>	570,797
Other payables and accruals	<b>4,648,449</b>	4,278,769
– Related parties	<b>3,097,696</b>	2,995,850
– Third parties	<b>1,550,753</b>	1,282,919
Payables for retention fee	<b>505,615</b>	370,903
Payables for acquisition of land use rights	<b>177,189</b>	282,021
Other taxes payables	<b>391,843</b>	166,874
	<b>11,234,343</b>	9,950,897

The ageing analysis of trade payables as at 31 December 2016 and 2015 based on invoice date is as follows:

	<b>31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within 90 days	<b>2,142,205</b>	1,507,787
Over 90 days and within 180 days	<b>1,551,329</b>	2,048,149
Over 180 days and within 365 days	<b>893,748</b>	537,941
Over 365 days and within 3 years	<b>923,965</b>	758,453
	<b>5,511,247</b>	4,852,330

## 7 EXPENSES BY NATURE

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

	<b>Year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cost of properties sold (excluding staff costs)	<b>8,134,618</b>	6,489,811
Staff costs (including directors' emoluments)	<b>843,667</b>	755,247
Business taxes and other levies	<b>417,620</b>	683,069
Advertising costs	<b>235,576</b>	269,834
Cost of property management service (excluding staff costs)	<b>207,036</b>	159,776
Cost of hotel operations (excluding staff costs)	<b>201,364</b>	190,162
Depreciation	<b>135,628</b>	133,269
Donations to governmental charity	<b>70,027</b>	30,038
Amortisation of land use rights	<b>22,694</b>	22,853
Office lease payments	<b>5,431</b>	15,466
Auditor's remuneration	<b>5,696</b>	5,999
– Audit services	<b>4,800</b>	4,300
– Non-audit services	<b>896</b>	1,699

## 8 OTHER GAINS/(LOSSES) – NET

	<b>Year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Penalty on cancellation of sales contracts	<b>30,000</b>	–
Investment gain from financial instruments	<b>16,710</b>	20,092
Gains on disposal of investment properties	<b>4,831</b>	–
Fair value losses on derivative financial instruments	<b>(39,719)</b>	(160,678)
Losses on financial assets at fair value through profit or loss	<b>(2,400)</b>	–
Others	<b>435</b>	–
	<b>9,857</b>	(140,586)

## 9 FINANCE COSTS – NET

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Interest expenses:		
Bank borrowings and other borrowings	917,523	1,154,365
Senior notes	321,463	447,789
Corporate bonds	388,065	298
Less: interest capitalised	(1,361,824)	(1,508,424)
	<u>265,227</u>	<u>94,028</u>
Foreign exchange losses on financing activities – net	316,541	388,840
Less: capitalised	(72,284)	(118,679)
	<u>244,257</u>	<u>270,161</u>
Losses of early redemption of senior notes	169,484	–
	<u>678,968</u>	<u>364,189</u>

## 10 INCOME TAX EXPENSES

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Current income tax:		
PRC corporate income tax	770,304	608,909
PRC land appreciation tax (“LAT”)	806,524	550,256
Reversal of withholding income tax for distributable profits of the PRC subsidiaries due to change of tax rate	(5,344)	–
Deferred income tax:		
PRC corporate income tax	387,112	353,603
	<u>1,958,596</u>	<u>1,512,768</u>

### PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in Mainland China is 25%.

According to the Corporate Income Tax Law, 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 can 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 Company’s subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

## Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

## 11 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 year excluding ordinary shares purchased by the Group and held for Share Award Scheme.

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	<u>2,464,682</u>	<u>2,071,110</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>3,954,838</u>	<u>3,951,923</u>
Basic earnings per share (RMB cents per share)	<u>62.321</u>	<u>52.408</u>

**(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.

	<b>Year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
Profit attributable to owners of the Company (RMB'000)	<b>2,464,682</b>	2,071,110
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	<b>3,961,222</b>	3,958,607
– Weighted average number of ordinary shares for basic earnings per share (thousand shares)	<b>3,954,838</b>	3,951,923
– Adjustment for awarded shares (thousand shares)	<b>6,384</b>	6,684
Diluted earnings per share (RMB cents per share)	<b>62.220</b>	52.319

**12 DIVIDENDS**

The Board recommended the payment of a final dividend of HK\$16.0 cents (equivalent to RMB14.31 cents based on the exchange rate of 30 December 2016) per ordinary share. Total amount of final dividend would be HK\$639,568,000 (equivalent to RMB572,014,000) which is calculated according to the ordinary shares in issue as of 31 December 2016. Such dividend is subject to approval by the shareholders at the Annual General Meeting on 22 May 2017. These consolidated financial statements do not reflect this dividend payable.

	<b>Year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Proposed final dividends	<b>572,014</b>	301,397

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET REVIEW**

In 2016, against the backdrop of the continuation of the adjustment and slowdown of the global economy, China had a positive start in the Thirteenth Five-year Plan Period. The central government of China was committed to the general notion of making progress while maintaining stability and to its new development concepts, which translated into positive social expectation and in turn stable and healthy development of the economy and social well-being. For the property market of China in 2016, government policies shifted from a loosened to a tightened one. In key cities, austerity measures for curbing overheating of the property market had been on the rise. Strict control has been adopted to resist risks. In third and fourth-tier cities, the destocking strategies adopted in 2015 were still in practice, so that market conditions could improve on both supply and demand fronts. At the same time, regional integration and new-model urbanization also contributed to a sound and positive environment upon which an effective, long-standing mechanism to be applied to the property market can be reinforced.

### **BUSINESS REVIEW**

For the year ended 31 December 2016, 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, including hotel operation. During the year under review, property development remained the main revenue stream of the Group.

#### **Property Development**

For the year ended 31 December 2016, the contracted sales of the Group reached approximately RMB17,642 million (2015: RMB14,305 million), representing an increase of approximately 23.3% as compared with the corresponding period in 2015. In 2016, the contracted sales area of the Group amounted to approximately 1,468,459 square meters (2015: 1,532,013 square meters), representing a year-on-year decrease of approximately 4.1% over 2015.

With the combination of the various development strategies adopted by the Group, the Group's contracted sales for the year ended 31 December 2016 once again hit a record high. During the year under review, the key contributing projects, including subsidiaries and joint ventures, were located in Yujiapu in Tianjin, Binhai in Tianjin, Qibao in Shanghai, Qingpu in Shanghai, Fuyang in Anhui, and Xiamen in Fujian. The overwhelmingly positive market response clearly demonstrated the effectiveness and feasibility of the Group's strategy of developing products based on the actual conditions of different markets.

Set forth below is the distribution of the Group's contracted sales during the year under review:

<b>Distribution</b>	<b>FY 2016</b>		
	<b>Sales area</b> <i>sq.m.</i>	<b>Sales amount</b> <i>RMB'000</i>	<b>Average selling price</b> <i>RMB/sq.m.</i>
Commercial	688,646	11,656,275	16,926
Residential	779,813	5,985,959	7,676
Total	<u>1,468,459</u>	<u>17,642,234</u>	<u>12,014</u>

During the year under review, the Group's sales capabilities were considerably strengthened. This explained the satisfactory results of property sales this year, and was reflected in the following three aspects. 1) Sales team's organization structure was further improved, forming a sales team that covers all products and reaches every part of the sales chain. More specific departments such as major customer department, direct sales department, leasing department and marketing department were established. 2) The construction of innovated commercial and office spaces sales platform were further strengthened. Moreover, the Shanghai region's business made attempts to use big data for more to-the-point marketing. 3) Scope of sales work was comprehensively extended to cover different aspects, such as land acquisition assessment, product design, project construction, checking before completion and consulting professional opinion so that the products better meet consumers' demands.

### **Investment Properties and Property Management Services**

To generate a stable and recurring income, the Group also retained and operated certain commercial properties, principally including shopping malls, for leasing. As at 31 December 2016, the Group had an aggregate GFA of approximately 3,865,950 square meters (2015: 3,014,349 square meters) held as investment properties (including investment properties completed and under construction), representing an increase of approximately 28.3% as compared with 2015.

During the year under review, the Group completed the unprecedented intensive project commencement mission. The six property projects, namely Changzhou Powerlong Plaza, Shanghai Jiading Powerlong Plaza, Shanghai Qibao Powerlong City, Yantai Penglai Powerlong Plaza, Hangzhou Binjiang Powerlong City and Yantai Laishan Powerlong Plaza, which are operated by the Group, commenced operation successively during the year.

Hangzhou Binjiang Powerlong City, one of our benchmark projects, was officially launched with a Barbie theme show. On the day of commencing operation, customer traffic of more than 200,000 was recorded, reaching new high again for the Group's single-day customer traffic on business commencement. Since commencing operation, Shandong Penglai Powerlong Plaza has become a core shopping site in the locality and maintained a leading position in terms of reputation, shopping and entertainment attractiveness and customer-drawing capabilities.

Benefited from effective investment invitation and powerful preparation and organization, the outstanding opening performance of the newly operated projects realized the core business competitiveness of the Group as the whole.

As at 31 December 2016, the Group operated and managed 31 commercial plazas, staying among the forefront of the industry in terms of development projects and floor area in operation.

With regard to commercial operation, efforts were made for establishing standardization of operational quality, promoting planned management and IT-based innovation, strengthening professional training of management teams, promoting one-shop-one-feature, specification of duties, assessment of all employees, etc., pursuant to which professional level and management effectiveness of the Group's team were enhanced.

### **Hotel Business**

The Group continued to develop its hotel business as a source of long-term recurring income. It has the core businesses of international brand hotels and own brand chain hotels. As at 31 December 2016, the Group owned nine international brand hotels, namely Le Meridien 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), Days Hotel Powerlong Chongqing (重慶寶龍戴斯大酒店), and three own brand chain hotels, namely Powerlong Inn. Penglai (蓬萊寶龍客棧), ARTELS Qingdao (青島寶龍藝築酒店) and ARTELS Anxi (安溪寶龍藝築酒店).

### **Land Bank Replenishment**

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own development pipeline for the forthcoming three to five years. It adheres to the development strategy of "Focus on Shanghai and Intensive Development in Yangtze River Delta", refines planning and selectively obtains projects.

As at 31 December 2016, the Group had a quality land bank amounting to a total GFA of approximately 13.2 million square meters, of which approximately 5.3 million square meters were properties under development and construction, approximately 5.4 million square meters were properties held for future development and approximately 2.5 million square meters were malls in operation. The land bank under development will be used for the development of large-scale commercial and residential properties with supermarkets, department stores, cinema complexes, food courts, leisure facilities, quality residential properties, furnished apartments, office buildings and hotels.

During the year under review, the Group upheld cautious and stringent standards on land investment decision, and the following prime land parcels were added to the Group's land bank during the year 2016:

<b>Name of project</b>	<b>Usage</b>	<b>Attributable interest</b>	<b>Site area '000 sq.m.</b>	<b>Total GFA* '000 sq.m.</b>
Zhenjiang Powerlong International Garden	Residential	69%	97	243
Shanghai Pudong Lingang Powerlong Residence	Commercial/ residential	82%	31	62
Zhejiang Hangzhou Dajiangdong Powerlong Plaza	Commercial/ residential	42%	119	308
Jiangsu Xuzhou Powerlong Residence	Residential	80%	195	117
Shanghai Minhang Wujing New Town Project	Commercial	100%	32	58
Shanghai Guozhan Powerlong City	Commercial	50%	94	234
Jiangsu Wujiang Suzhou Bay Tianpo	Residential	41%	108	291
Zhejiang Ningbo Powerlong Plaza	Commercial	90%	45	70
Zhejiang Hangzhou Yuhang Future Technology Town Project	Commercial	100%	64	193
Hainan Haikou Global 100 Powerlong City	Commercial/ residential	14%	992	1,850
Zhejiang Ningbo Jiangbei Project	Residential	82%	50	89
Zhejiang Hangzhou Dajiangdong Yipeng Project	Residential	41%	88	204
Shanghai Minhang Maqiao Project	Commercial	50%	42	104
<b>Total</b>			<b>1,957</b>	<b>3,823</b>

\* Total GFA excludes underground and car parking spaces

## Outlook

Continuing to follow the pathway set forth under the development plan for the period 2016–2020, the Group will steadfastly implement and perform its strategic planning, adopting a business property strategy of “Three-Incentives” on the main business segment for the Group to succeed in business operation, quality property provision and asset management. Identifying hotels, culture and investment as the supplementary segments of the Group, and holding on to the strategic factors of “Focus, Quality and Capital”, the Group will continue to keep on enhancing the quality of its products and services comprehensively and further improving returns to shareholders.

2017 is a year of intensifying the structural reform on the supply-side. While the property sector is swinging back to more residence-focused, “policy formulation depending on the situation of each city” will continue to be fortified under the mainstream of strict control of risks and de-stocking. A long-standing mechanism for the steady and healthy growth of the property sector which is in tandem with market conditions will be further established, so as to guide the overall economy through to a pre-set direction of steady and healthy development.

In the face of new opportunities in 2017, the Group has identified “Passionate Team, Efficient Management, Quality Products and Benchmarking Achievements” (激情團隊，高效管理，精築品質，成就標杆) as its working direction for the year. The Group will be committed to setting up the quality system of “Fine and Seamless Construction” and uplift its brand image. Instilling the notion of quality into the Group’s gene, and making quality products a matter of habit, the Group aims to become a well-respected player that delivers high-quality property products.

Following the prevailing development trend in China’s property market, destocking remains the main theme of the Group’s sales efforts in 2017. Upholding the “Bulk Sales” concept, the Group will achieve resources sharing and focus on selling large-scale products. Sales targets for 2017 will be further increased to RMB20,000 million. As regards to marketing management, the Group will take a more detailed approach and aims to renovate upon the traditional sales approach, formulate customized proposals, emphasize capacity building, enhance its ability in securing VIP customers and boost sales with substantial per-order amounts.

In a more systematic and efficient way, the Group will push ahead the commencement of operations of its shopping malls to ensure the successful opening of five more Powerlong plazas in the year and, on this basis, the successful opening of two asset-light management projects. While ensuring the perfect commencement of Xiamen Powerlong One Mall, efforts will be made to push ahead the enhancement of operating capability of two benchmark projects namely Shanghai Qibao Powerlong City and Hangzhou Binjiang Powerlong City. A “Customer-oriented Program” will be fully implemented to testify its brand with its products.

For expansion of its land bank, the Group will continue to hold on to its “1+6+N” strategy, by acquiring land parcels prudently and strategically at low costs and maintaining competitiveness. The Group will plan the overall layout in an accurate manner and keep abreast of the development of government policies in a timely manner and exploring channels for securing and developing resources are essential. In addition, the Group will remain diversified in the channels of land acquisition and step up efforts in collaborative mergers and acquisitions.



The Group will identify the intrinsic brand uniqueness of its hotel operation. Riding on the high-quality opening of operation of the self-operated artistic hotel, the Group will enhance the market image of the ARTELS+ (藝悦) brand.

Setting a higher standard for its financial control capability, the Group will be committed to optimizing its debt structure, lowering finance costs, and improving the efficiency of capital operation.

Attaching great importance to working strenuously in attracting, developing and motivating talents, on a thorough basis, it will foster capacity building to build 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 construction and uphold “entrepreneurship” to develop managers’ devotion to their career. The Group will also elevate its staff care, incubate the sense of belongings on the ethos of “Shared Devotion, Pathway and Passion”, in order to create a happy and vivid atmosphere in the workplace.

The Group will continue with its healthy development and solidify its strategic deployment with the geographical centre in Shanghai, to maintain its leading position in the commercial property sector. The Group believes that its cohesion, steadfast beliefs, shared vision, collaborative efforts, embracing for challenges and perseverance will make the Group an ambitious and well-respected benchmarking player in the industry.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue of the Group mainly comprises property sales, rental income from investment properties, income from property management services and income of other property development related services. During the year ended 31 December 2016, the Group recorded a total revenue of RMB14,296 million (2015: RMB11,907 million), representing an increase of approximately 20.1% when compared to the corresponding period in 2015. This was attributable to increase in income from each business segment.

#### *Property Sales*

During the year under review, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. The revenue from projects sold and delivered for the year ended 31 December 2016 amounted to approximately RMB12,530 million (2015: RMB10,481 million), representing an increase of approximately 19.5% when compared with the corresponding period in 2015. This was mainly attributable to the increase in sales of commercial properties.



Set forth below are the details regarding the properties sold and delivered during the year under review:

		<b>Year ended 31 December 2016</b>		
		<b>GFA sold &amp; delivered (sq.m.)</b>	<b>Amount sold &amp; delivered (RMB'000)</b>	<b>Average selling price (RMB/sq.m.)</b>
Shanghai Caolu Powerlong Plaza	Commercial	1,827	26,261	14,374
Shanghai Fengxian Powerlong Plaza	Commercial	15,953	284,898	17,859
Shanghai Hongqiao Powerlong City	Commercial	45,867	628,231	13,697
	Residential	1,120	23,031	20,563
Shanghai Qibao Powerlong City	Commercial	70,072	1,763,184	25,162
Shanghai Lingang Powerlong Plaza	Commercial	5,595	117,583	21,016
Shanghai Baoshan Powerlong Plaza	Commercial	2,973	85,305	28,693
Shanghai Wujing Powerlong Plaza	Commercial	17,183	293,014	17,053
Shanghai Qingpu Powerlong Plaza	Commercial	34,551	817,926	23,673
Shanghai Jiading Powerlong Plaza	Commercial	34,716	802,287	23,110
Hangzhou Binjiang Powerlong City	Commercial	29,388	707,465	24,073
Hangzhou Xiasha Powerlong Plaza	Commercial	62,740	696,660	11,104
	Residential	1,187	21,080	17,759
Hangzhou Fuyang Powerlong Plaza	Commercial	7,624	106,393	13,955
	Residential	6,750	68,019	10,077
Suzhou Taicang Powerlong Plaza	Commercial	3,115	18,636	5,983
Wuxi Wangzhuang Powerlong Plaza	Residential	2,558	13,000	5,082
Wuxi Yuqi Powerlong Riverside Garden	Residential	30,019	129,873	4,326
Changzhou Powerlong Plaza	Commercial	47,919	284,378	5,935
	Residential	1,613	9,921	6,151
Zhenjiang Powerlong Plaza	Commercial	46,440	235,171	5,064
Suqian Powerlong Plaza	Commercial	2,168	11,601	5,351
	Residential	597	2,864	4,797
Bengbu Powerlong Plaza	Commercial	3,797	23,977	6,315
Jiaozhou Powerlong Plaza	Commercial	14,470	80,453	5,560
	Residential	1,639	13,703	8,361

		<b>Year ended 31 December 2016</b>		
		<b>GFA</b>	<b>Amount</b>	<b>Average</b>
		<b>sold &amp;</b>	<b>sold &amp;</b>	<b>selling</b>
		<b>delivered</b>	<b>delivered</b>	<b>price</b>
		<i>(sq.m.)</i>	<i>(RMB'000)</i>	<i>(RMB/sq.m.)</i>
Dongying Powerlong Plaza	Commercial	8,446	85,439	10,116
	Residential	132,224	706,086	5,340
Tai'an Powerlong Plaza	Residential	3,494	28,632	8,195
Yantai Penglai Powerlong Plaza	Commercial	11,376	56,534	4,970
	Residential	20,363	136,638	6,710
Yantai Laishan Powerlong Plaza	Commercial	28,669	192,467	6,713
	Residential	2,622	16,968	6,471
Tianjin Powerlong City	Residential	118,326	756,470	6,393
Xiamen Powerlong One Mall	Commercial	59,523	1,646,327	27,659
Xiamen Powerlong Lakeside	Commercial	1,054	20,639	19,582
Mansions	Residential	1,104	26,414	23,926
Quanzhou Jinjiang Powerlong	Commercial	332	6,431	19,370
Plaza	Residential	56,970	363,135	6,374
Quanzhou Yongchun Powerlong	Commercial	4,136	34,875	8,432
Plaza	Residential	15,682	78,879	5,030
Zhangzhou Yunxiao General Avenue	Residential	11,216	62,181	5,544
No. 1				
Luoyang Powerlong Plaza	Commercial	5,600	17,621	3,147
	Residential	50,529	289,683	5,733
Xinxiang Powerlong Plaza	Commercial	6,028	48,384	8,027
	Residential	138,976	640,375	4,608
Chongqing Hechuan Powerlong	Commercial	337	592	1,757
Plaza	Residential	5,629	21,707	3,856
Others	Commercial	3,245	22,948	7,072
	Residential	1,267	5,661	4,468
<b>Total</b>		<b>1,179,029</b>	<b>12,530,000</b>	<b>10,627</b>
	Commercial	575,144	9,115,680	15,849
	Residential	603,885	3,414,320	5,654

### *Rental Income from Investment Properties and Income from Property Management Services*

For the year ended 31 December 2016, the Group recorded rental income from investment properties of approximately RMB600 million (2015: RMB552 million), representing an increase of approximately 8.7% when compared to the corresponding period in 2015.

For the year ended 31 December 2016, income from property management services is mainly generated from provision of property management services and rental assistance services. The net income after elimination of intra-group transactions amounted to approximately RMB791 million (2015: RMB549 million), representing an increase of approximately 44.1% as compared to the corresponding period in 2015.

For the year ended 31 December 2016, rental income from investment properties and income from property management services fee amounted to RMB1,391 million (2015: RMB1,101 million), representing an increase of approximately 26.3% as compared to the corresponding period in 2015. In addition to the increasing areas of properties held and commercial and residential properties managed by the Group, rental income generated from malls operated by the Group also increased as a result of the continuous enhancement of quality in commercial operation, which in turn attracting a number of new tenants.

### *Income of Other Property Development Related Services*

Income of other property development related services mainly comprises income from hotel operation, and construction and decoration services. For the year ended 31 December 2016, the Group's other income amounted to RMB375 million (2015: RMB326 million), representing an increase of approximately 15.0% as compared to the corresponding period in 2015. It was mainly attributable to the year-on-year increase in income 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. Cost of sales for the year ended 31 December 2016 increased by approximately 19.2% to approximately RMB9,517 million (2015: RMB7,985 million) as compared with 2015, which was mainly due to the increase in revenue from projects already delivered during the year under review.

### **Gross Profit and Margin**

For the year ended 31 December 2016, gross profit increased to RMB4,778 million (2015: RMB3,922 million) as compared with the corresponding period in 2015. Gross profit margin increased slightly from 32.9% in 2015 to 33.4% in 2016.

### **Fair Value Gains of Investment Properties**

For the year ended 31 December 2016, the Group recorded revaluation gains of approximately RMB1,520 million (2015: RMB1,504 million), representing an increase of approximately 1.1% over the amount in 2015. The revaluation gains were mainly due to the increase in the value of the investment properties located in the first- and second-tier cities.

### **Selling and Marketing Costs and Administrative Expenses**

Selling and marketing costs and administrative expenses for the year ended 31 December 2016 amounted to approximately RMB1,238 million (2015: RMB1,221 million), representing an increase of approximately 1.4% over 2015. 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/(Loss) of Investments Accounted for Using the Equity Method**

Share of post-tax profit of investments accounted for using the equity method amounted to RMB314 million (2015: RMB158 million), representing an increase of approximately 98.7% as compared with 2015. The increase was mainly due to an increase in profit from joint ventures.

### **Income Tax Expenses**

Income tax expenses amounted to RMB1,959 million (2015: RMB1,513 million) for the year ended 31 December 2016, increased by approximately 29.5% as compared with 2015, primarily due to the increase of PRC land appreciation tax.

### **Profit Attributable to Owners of the Company**

For the year ended 31 December 2016, the Group recorded profit attributable to owners of the Company of approximately RMB2,465 million (2015: RMB2,071 million), representing an increase of approximately 19.0% over 2015.

Basic earnings per share was RMB62.32 cents (2015: RMB52.41 cents), representing an increase of approximately 18.9% over 2015. The increase in the profit attributable to owners of the Company and basic earnings per share was mainly due to an increase in profit during the year under review.

Core profits (being the profit for the year after excluding the profit attributable to fair value gains on investment properties) for the year ended 31 December 2016 reached approximately RMB1,609 million (2015: RMB1,207 million), representing an increase of approximately 33.3% as compared with the corresponding period in 2015.

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Cash Position**

The short-term and long-term funding of the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds raised from issuance of bonds during the year under review, which were used as working capital and investment in development projects.

The Group's cash and cash equivalents and restricted cash amounted to RMB10,148 million in total as at 31 December 2016 (2015: RMB6,726 million), representing an increase of approximately 50.9% as compared with the end of 2015.

### **Borrowings**

Total borrowings of the Group as at 31 December 2016 was RMB30,026 million (2015: RMB22,646 million), representing an increase of approximately 32.6%. The Group's borrowings comprises bank and other borrowings of approximately RMB13,776 million, senior notes of approximately RMB3,379 million and corporate bonds of approximately RMB12,871 million.

Out of the total borrowings, RMB7,536 million was repayable within one year, while approximately RMB22,490 million was repayable after one year.

On 15 September 2016, the Company issued senior notes at 99.018% discount in an aggregate amount of USD200 million, with a nominal interest rate of 4.875% per annum and maturity date of 15 September 2021.

As at 31 December 2016, the Group had net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of 76.6% (31 December 2015: 70.0%).

Total interest expenses as at 31 December 2016 amounted to RMB1,627 million, representing an increase of approximately 1.56% as compared to RMB1,602 million in 2015. The increase was mainly due to the increase in total borrowings. The effective interest rate decreased from 7.55% for 2015 to 6.18% for 2016, which was mainly due to the control over finance costs by the management.

### **Credit Policy**

Trade receivables mainly arose 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 31 December 2016, 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 RMB27,658 million (2015: RMB27,191 million) to secure borrowings of the Group. The total secured borrowings as at 31 December 2016 amounted to RMB13,776 million (2015: RMB16,328 million).

## Contingent Liabilities

As at 31 December 2016, the Group had no significant contingent liabilities.

## Financial Guarantees

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

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	9,290,180	8,062,268
Guarantees for borrowings of joint ventures	1,895,000	2,158,830
	<u>11,185,180</u>	<u>10,221,098</u>

## Commitments

### (1) Commitments for property development expenditures

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Contracted but not provided for		
– Property development activities	5,432,836	5,613,503
– Acquisition of land use rights	85,540	1,016,049
	<u>5,518,376</u>	<u>6,629,552</u>

(2) *Operating leases commitments*

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

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Not later than one year	<b>3,645</b>	4,152
Later than one year and not later than two years	<b>3,005</b>	2,436
Later than two years and not later than three years	<b>424</b>	1,735
	<b>7,074</b>	<b>8,323</b>

### **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. As of 31 December 2016, the Group's financial assets or liabilities denominated in currencies other than Renminbi were mainly borrowings denominated in USD or HKD, in the total amount of RMB3,837 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**

For the year ended 31 December 2016, the Group did not have any material acquisition or disposal of subsidiaries and associated companies.

### **EMPLOYEES AND EMOLUMENT POLICY**

For the year ended 31 December 2016, the Group employed a total of 8,719 employees (2015: 8,219 employees) on full time basis. The total staff costs of the Group for the year under review was RMB843.7 million. The Group has adopted 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 programs for its staff to improve their skills and develop their respective expertise.

The Group has also adopted a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations. On 15 September 2016, options granted under the Pre-IPO Share Option Scheme and remained outstanding in the exercisable period became lapsed.



Further, the Company also adopted a share award scheme (the “Share Award Scheme”), with a term of 6 years, to recognize and motivate the contributions made to the Group by its employees and to give incentives in order to retain them for the continuous operation and development of the Group. On 2 December 2016, the Company entered into a deed of variation to the Trust Deed with HSBC Trustee (Hong Kong) Limited to extend the trust period from 2 December 2016 to 31 December 2017. Details of the amendments to the Share Award Scheme are set out in the announcement of the Company dated 2 December 2016.

Further information in relation to the Share Option Scheme, the Pre-IPO Share Option Scheme and Share Award Scheme will be available in the annual report of the Company for the year ended 31 December 2016.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company for the year ended 31 December 2016 is proposed to be held on Monday, 22 May 2017 (the “Annual General Meeting”). A notice convening the Annual General Meeting will be published and despatched in the manner as required by the Rules Governing Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in due course.

## **FINAL DIVIDEND**

At the Board meeting held on 20 March 2017, the Board recommends the payment of a final dividend of HK\$16.0 cents per ordinary share for the year ended 31 December 2016. The final dividend is subject to the approval by shareholders at the Annual General Meeting. The final dividend, if approved by the Company’s shareholders, will be paid on or around Thursday, 8 June 2017 to the shareholders whose names appear on the register of members of the Company on Thursday, 1 June 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

### **(a) Attending Annual General Meeting**

For the purpose of determining the shareholders’ rights to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 17 May 2017 to Monday, 22 May 2017, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be eligible to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar 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, 16 May 2017.



## **(b) Payment of the proposed final dividend**

For the purpose of determining the shareholders' entitlement to the proposed final dividend for the year ended 31 December 2016, the register of members of the Company will be closed from Friday, 26 May 2017 to Thursday, 1 June 2017, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be qualified for the proposed final dividend for the year ended 31 December 2016, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar 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 Thursday, 25 May 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. Specific confirmation has been obtained from all Directors to confirm compliance with the required standard set out in the Model Code for the year ended 31 December 2016. No incident of non-compliance was noted by the Company to date. Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code for the year ended 31 December 2016.

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

On 24 December 2015, the Company announced the full redemption of all the outstanding amounts of the USD250,000,000 11.25% senior notes due 2018 (the "2018 Notes") (the "Redemption"). The Redemption was completed on 25 January 2016, at a total redemption price of USD278,125,000. All 2018 Notes had been cancelled and delisted from the official list of the Stock Exchange. For details of the Redemption, please refer to the announcements of the Company dated 24 December 2015, 25 January 2016 and 1 March 2016.

On 18 October 2016, the Company announced that a tender offer was being made (the "Tender Offer") pursuant to the offer to purchase dated 18 October 2016. The purpose of the Tender Offer is to retire up to all of the outstanding RMB1,500,000,000 10.75% senior notes due 2017 (the "2017 Notes") prior to maturity. The Tender Offer expired at 5:00 p.m. on 26 October 2016. RMB879,680,000 principal amount of the 2017 Notes, representing approximately 58.65% of the RMB1,500,000,000 total aggregate principal amount of the 2017 Notes outstanding as at such date, had been tendered and accepted. The Tender Offer was completed on 2 November, 2016. Total amount paid to the holder of the accepted 2017 Notes for acquiring the accepted 2017 Notes was approximately RMB939,721,173, inclusive of accrued interest. The 2017 Notes repurchased pursuant to the Tender Offer have been cancelled. The aggregate principal amount of the 2017 Notes which remain outstanding is RMB620,320,000. For details of the repurchase, please refer to the announcements of the Company dated 18 October 2016, 26 October 2016 and 2 November 2016.

On 25 November 2016, the Company purchased the USD200,000,000 4.875% senior notes due 2021 with a principal amount of USD1,600,000, at a total consideration of USD1,484,033.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year under review.

## **CORPORATE GOVERNANCE**

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence to the Company and the Company's accountability. The Company therefore strives to attain and maintain effective corporate governance practices and procedures.

The Directors are of the view that the Company has complied with all applicable code provisions contained in Appendix 14 of the Listing Rules for the year ended 31 December 2016. Further information about the corporate governance practices of the Company is set out in the annual report of the Company for the year ended 31 December 2016.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee"), which comprises three independent non-executive Directors, pursuant to the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee and the auditor of the Company have reviewed the annual results of the Group for the year ended 31 December 2016 with the Company's management and it considered that such results have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

## **AUDITOR**

The financial figures in the preliminary announcement of the Group's results for the year ended 31 December 2016 (to the amounts set out in the Group's consolidated financial statements) have been agreed by PricewaterhouseCoopers, the auditor of the Company, who shall retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of PricewaterhouseCoopers as the auditor of the Company.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2016 and up to the date of this announcement, the Company has maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules.

## **PUBLICATION OF THE 2016 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY**

The annual report of the Company for the year ended 31 December 2016 is to be despatched to shareholders of the Company and made available on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.powerlong.com](http://www.powerlong.com) in due course.

### **APPRECIATION**

The steady growth of the Group is attributable to the enormous support from the relevant parties for years. The Board would like to take this opportunity to express its sincere gratitude to the Group's investors, business partners and customers for their continuous trust and support. At the same time, the Board would also like to take this opportunity to thank the Board members for their work of high performance and the Group's staff for their contributions and dedication. The Group will continue to uphold its tradition of "Creditability, Courtesy, Innovation, Enthusiasm" while relying on an elite team with unified values, loyalty and commitment. It will adhere to its belief and rise to challenges in order to create better returns for its customers, shareholders and investors and to create greater values for the society.

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

Hong Kong, 20 March 2017

*As at the date of this announcement, the executive Directors of the Company 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 of the Company is Ms. Hoi Wa Fan; and the independent non-executive Directors of the Company are Dr. Ngai Wai Fung, Dr. Mei Jian Ping and Dr. Ding Zu Yu.*