寶龍地產控股有限公司

POWERLONG REAL ESTATE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code:1238

POWERLONG 宝龙地产

ANNUAL REPORT



CONTENTS

Group Introduction

Powerlong Real Estate Holdings Limited (HK.1238) (the "Company") and its subsidiaries (collectively as the "Group") are dedicated to developing and operating high quality, large-scale and multi-functional commercial real estate projects. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 October 2009. The Group is committed to improving the living standard of the citizens and driving the urbanization progress in the People's Republic of China ("China" or the "PRC").

The Group owned and operated 66 real estate projects as at 31 December 2016. Powerlong Plaza which comprises of shopping malls, restaurants, leisure and other recreational facilities has created a unique business model drawing extensive attention and recognition from the government and the public. Each project does not only promote the regional economic development, but also improves the retail facilities of the cities and creates job opportunities. The upgrade of people's living standard is a key driver for city quality improvement.

The successful development of the Group is attributable to the innovative vision from the Chairman of the Company, Mr. Hoi Kin Hong. Mr. Hoi instilled his insights and visions at the beginning of the corporate development and drove the evolvement. The Group will continue to uphold the belief of "Creditability, Courtesy, Innovation, Enthusiasm" and build up an efficient and excellent team to create values for the society, customers, shareholders and its staff.

Corporate Information

DIRECTORS

Executive Directors

Mr. Hoi Kin Hong (Chairman of the Board)
Mr. Hoi Wa Fong (Chief Executive Officer)
Mr. Xiao Qing Ping (Deputy Chief Executive Officer)
Ms. Shih Sze Ni
Mr. Zhang Hong Feng

Non-executive Director

Ms. Hoi Wa Fan

Independent Non-executive Directors

Mr. Ngai Wai Fung
Mr. Mei Jian Ping
Mr. Ding Zu Yu

AUDIT COMMITTEE

Mr. Ngai Wai Fung (Chairman)
Mr. Mei Jian Ping
Mr. Ding Zu Yu

REMUNERATION COMMITTEE

Mr. Mei Jian Ping (Chairman)
Mr. Hoi Wa Fong
Mr. Ding Zu Yu

NOMINATION COMMITTEE

Mr. Hoi Kin Hong (Chairman)
Mr. Mei Jian Ping
Mr. Ding Zu Yu

COMPANY SECRETARY

Ms. Xiao Ying Lin (appointed on 21 October 2016)
Ms. Yip Yim Ting Fanny (resigned on 14 October 2016)

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong
Ms. Xiao Ying Lin (appointed on 21 October 2016)
Ms. Yip Yim Ting Fanny (resigned on 14 October 2016)

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

PLACE OF BUSINESS IN HONG KONG

Unit 5813, 58th Floor
The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Powerlong Tower
1399 Xinzhen Road
Minhang District
Shanghai
PRC
Postal Code: 201101

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Sheddon Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
The Bank of East Asia Limited
Agricultural Bank of China Limited
Industrial and Commercial Bank of China Limited
China Minsheng Banking Corp., Ltd.
Bank of China Limited
Bank of Beijing Co., Ltd.
China Construction Bank Corporation
China Merchants Bank Co., Ltd.
Wing Lung Bank Limited
Hang Seng Bank Limited
Shanghai Rural Commercial Bank Co., Ltd.

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

HONG KONG LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com

Milestones and Awards

JAN

- Opening of Radisson Blu Shanghai Pudong Jinqiao
- Moody's upgraded the rating outlook of Powerlong to "POSITIVE"
- Shanghai Powerlong Industrial Development Co., Ltd. ("Shanghai Powerlong Industrial Development"), a wholly-owned subsidiary of the Company, successfully issued its first tranche of domestic corporate bonds with an aggregate principal amount of RMB2.7 billion
- Redeemed the 11.25% USD250 million senior notes due 2018

MAR

- Shanghai Powerlong Industrial Development successfully issued its second tranche of domestic corporate bonds with an aggregate principal amount of RMB500 million

MAY

- An agreement on commercial operation management entrustment and consultation services was entered into for Yiwu Powerlong Plaza, first asset-light project of the Group
- Opening of Radisson Exhibition Center Shanghai

JUN

- Opening of Changzhou Powerlong Plaza

JUL

- United Credit Rating Company Ltd. (聯合信用評級有限公司) upgraded the issuer credit rating and debt credit rating of Shanghai Powerlong Industrial Development to "AA+", with a "STABLE" rating outlook

8 AUG

- An agreement on commercial operation management entrustment and consultation services was entered into for Chongqing Fulin Powerlong Plaza, second asset-light project of the Group
- Shanghai Powerlong Industrial Development successfully issued its third tranche of domestic corporate bonds with an aggregate principal amount of RMB800 million

9 SEP

- Successfully issued the 4.875% USD200 million senior notes due 2021

10 OCT

- Opening of Shanghai Qibao Powerlong City
- Opening of Le Meridien Shanghai Minhang
- Launched Powerlong Public Fund
- Opening of Shanghai Jiading Powerlong Plaza

11 NOV

- Redeemed the 10.75% RMB1,500 million senior notes due 2017 and redemption rate was 58.7%
- Opening of Yantai Penglai Powerlong Plaza

12 DEC

- Opening of Hangzhou Binjiang Powerlong City
- Opening of Yantai Laishan Powerlong Plaza
- Standard & Poor's upgraded the rating outlook of Powerlong to "POSITIVE"

CORPORATE AWARDS

Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Institute of Real Estate Studies, China Index Academy

- 2016 Top 100 China Real Estate Enterprises
- 2016 Top 10 Brands of China Commercial Real Estate Companies (Rank 2)
- 2016 Top 10 Brands of China Commercial Real Estate Projects (Rank 2)
- 2015–2016 Annual Social Responsibility Enterprise of China Real Estate
- 2016 Outstanding Commercial Real Estate Enterprise
- 2016 China Top 10 Real Estate Listed Company by EVA (Economic Value Added) (Rank 9)
- 2016 China Top 10 Real Estate Listed Company by Finance Stability (Rank 6)
- 2016 China Top 10 Real Estate Listed Company by Investment Value (Rank 8)

China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal

- 2016 Best 5 China's Fast Growing Real Estate Listed Companies
- 2016 Best 50 China Real Estate Listed Companies with Strongest Comprehensive Strengths
- 2016 Top 10 Real Estate Companies of China in Commercial Real Estate
- 2016 Top 50 China Real Estate Development Enterprises
- 2016 Top 10 China Real Estate Development Enterprises in Shanghai
- 2016 Top 50 Brands of China Real Estate Development Companies
- 2016 Top 10 Brands of China Commercial Real Estate Enterprises
- 2016 Top 50 Brands of China Property Management Enterprises

MEDIA AWARDS

- 2016 Top 100 City Property Operators in China (awarded by House.china.com.cn)
- China Real Estate Shanghai Property Agents Annual Meeting – Most Influential Enterprise (awarded by Oriental Morning Post)
- 2016 Most Influential Commercial Real Estate Operator in China (awarded by Guardian)
- 2016 Model Enterprise for the Betterment of Cities in China (awarded by Guardian)
- 2016 Value Real Estate Enterprise (awarded by National Business Daily)
- 2016 Quality Property (Yangtze River Delta) (awarded by National Business Daily)
- 2016 Communications Awards (awarded by PR-Newswire)
- 2016 Best City Complex – Qibao Powerlong City (awarded by The Times Weekly)
- 2016 Most Influential Brand Urban Property Developer (awarded by Tencent)
- 2016 Sturdy Enterprise Award (awarded by Xinmin Evening News)
- 2016 Golden Prize for Comprehensive Quality – Qibao Powerlong City (awarded by Xinmin Evening News)
- 2016 Best Wealth-building Enterprise (awarded by China Business News)
- 2016 Popular Property Online (awarded by Sina)
- 2016 China's Blue Chip Real Estate Enterprise (awarded by The Economic Observer)

PERSONAL AWARDS GAINED BY MR. HOI KIN HONG

- 2016 Top 100 Contributors to Real Estate in China (awarded by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Institute of Real Estate Studies, China Index Academy)

Chairman's Statement

HOI KIN HONG
Chairman

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Powerlong Real Estate Holdings Limited, I am pleased to present to all shareholders the audited annual results of the Group for the year ended 31 December 2016. 2016 was the first year of the Group's latest five-year plan. Amidst the complexity and fluctuation in the property market, the Group precisely comprehended market trend and achieved substantially in pushing ahead its strategic moves. Based on the operation ethos of "Strong Consensus, Quality Breakthrough, Effective Operation and Team Recomposition", the past year saw the grand opening of benchmark projects and record-high property sales and commercial operation, laying a solid foundation for the next phase of the Group's lead-forward development.

During the year under review, the Group realized a revenue of RMB14.3 billion and net profit of RMB2.7 billion, representing a year-on-year increase of approximately 20.1% and 17.7% respectively. Basic earnings per share was RMB62.3 cents. The Board recommends the payment of a final dividend of HK$16.0 cents per share for the year of 2016.

CONTRACTED SALES HITTING ANOTHER RECORD HIGH

Contracted sales hit another record high for the year, reaching RMB17.6 billion or a year-on-year growth of 23.3%.

The Group's sales capability was further enhanced during the year, with a further improved organizational structure of the sales team, which was forged to become an integrated chain covering all products. More specific sales departments, namely the major customer department, direct sales department leasing department and marketing department, were created, delivering sound initial results and registering more than RMB1 billion sales amounts from the VIP orders. 5 projects achived respectively, an annual sales of more than RMB1 billion, namely Tianjin Yujiapu, Tianjin Binhai, Shanghai Qibao, Shanghai Qingpu and Anhui Fuyang. More importantly, in Shanghai, the Group ranked first for the second consecutive year in Shanghai's commercial property market in terms of contracted sales amount.

ACQUISITION OF QUALITY LAND BANK

During the year, the Group remained consistent with the "1+5+N" land acquisition strategy put forth under the latest five-year plan. Keeping Shanghai as the core focus, the Group also intensively explored other cities including Suzhou, Hangzhou, Xiamen, Fuzhou and Nanjing. On a cumulative basis for the entire year, the Group acquired 13 quality land parcels, including 8 land parcels situated in Shanghai, Hangzhou and Suzhou.

As of 31 December 2016, the Group had 66 projects across China, including 38 projects or more than half of the Group's portfolio situated in the Yangtze River Delta, among which Shanghai accounted for 15 projects. Going forward, the Group will continue to ride on its brand advantage, continue to pay attention to market opportunities, further enrich its land bank in a prudent and proactive manner, in order for the sustainable and healthy development of the Company.

As of 31 December 2016, the total gross floor area ("GFA") of the Group's land bank was approximately 13.2 million square meters (including investment properties in operation with total GFA of approximately 2.5 million square meters) which is sufficient for the property development of the Group in the next 3 to 5 years. From the perspective of the geographical location of the Group's land bank, current land bank in first-tier and second-tier cities represents 53.8% of the Group's land bank under development and held for future development. Therefore, the Group is confident that its quality land resources will continuously drive the Group's long-term and healthy development.

BUSINESS OPERATION HIGHLIGHTING CORE COMPETITIVENESS

In 2016, the Group recorded rental income and property management services income of RMB1.4 billion, representing an increase of 26.3% over last year, highlighting the solid foundation of business operation as the Group's core competitiveness.

During the year under review, the Group's commercial operation team has completed the unprecedented intensive project commencement mission. Effective leasing processes and powerful preparation and organization brought forth the record-high occurrence of business commencements for the Group's projects, and secured the opening of seven Powerlong Plazas, including the two benchmark projects namely Shanghai Qibao Powerlong City and Hangzhou Binjiang Powerlong City. Grandly opened on 24 December 2016, Hangzhou Binjiang Powerlong City had its first-day traffic of 220,000 customers, which represented the Group's record-high first-day customer traffic.

As of 31 December 2016, the number of shopping malls currently operated and managed by the Group has reached 32, allowing us to outperform other industry players in terms of quantity and area of projects.

During the year under review, the Group had substantial improvements in attracting new tenants to its plazas. The portfolio of long-standing tenants kept on improving, including international renowned branded chain stores such as Yonghui Supertores, UA, H&M, MUJI and Broadway Cinemas. Further, many branded chain stores including GUESS, Xibei You Mian Cun, SPAR Shandong, etc. became the Group's tenant for the first time. Going forward, the Group's portfolio of commercial brands will be more consumer-focused and people-based. Such portfolio will be upgraded on an ongoing basis, with a view to improving quality in shopping for consumers in China.

Under the Group's light asset strategy, the operation management achieved breakthroughs during the year. Apart from two projects namely Yiwu Powerlong Plaza and Chongqing Fulin Powerlong Plaza, for which outsourced management has been secured, similar arrangements in respect of some other projects were in the course of negotiation. This will greatly extend the room for business operation and development of the Group.

Having entered the commercial real estate industry for 13 years, the Group has been awarded TOP 10 Brands of China Commercial Real Estate Companies for six consecutive years. Powerlong Plazas operated by the Group have been awarded "TOP 10 Brands of China Commercial Real Estate" for seven consecutive years.

FALLING FINANCE COSTS

In optimizing the debt structure, the Company has diversified its financing channels and has also been lowering its finance costs. The consolidated finance costs of the Group further decreased from 8.05% as of 2014 and 7.55% as of 2015 to 6.18% as of 2016.

During the year under review, Shanghai Powerlong Industrial Development, a wholly-owned subsidiary of the Company, issued public corporate bonds with an aggregate principal amount of RMB4.0 billion. In September 2016, the Company issued the 4.875% USD200 million senior notes with a maturity of five years due 2021. The issue cost was the lowest among companies of the same credit rating. The one-year interest rate applicable to asset-backed securities in respect of the remainder sales monies of Shanghai Powerlong Industrial Development was merely 3.90%, which was a record low for the finance costs of the Group.

The Company's completion of redemption of the 11.25% USD250 million senior notes due 2018 in January 2016 and the completion of partial redemption of the 10.75% RMB1,500 million senior notes due 2017 in November 2016 at a rate of 58.7%, successfully replaced past debts with high interest rate through quality low-interest financing. The Group's finance cost was thereby further reduced.

As of 31 December 2016, cash and cash equivalents and restricted cash of the Group increased by approximately 50.9% to RMB10.1 billion as compared to the year end of 2015.

AUGMENTED RECOGNITION IN CAPITAL MARKET

Benefiting from its improved results of operation, the Company received an upgraded "POSITIVE" rating outlook from Moody's and S&P, an improvement from the previous "STABLE" rating outlook. Shanghai Powerlong Industrial Development received an upgraded "AA+" rating on its issuer credit rating and debt credit rating, with a "STABLE" rating outlook, from United Credit Rating Company Ltd. (聯合信用評級有限公司) in July 2016. Further, the Company was also listed as one of the stocks under HK-Shenzhen Stock Connect, which represented the capital market's public recognition of the Group's efforts over these years.

During the year under review, the stock price of the Company grew by 46.5%, reflecting the capital market's recognition of the Group.

DIVERSIFICATION STRATEGY REAPING FRUITS

After years of exploration, the Group's hotel business has adopted an approach by which the Group has the core businesses of international brand hotels and own brand chain hotels. During the year under review, Powerlong Hotel Group has opened three international brand hotels and launched mode of artistic hotels. As at 31 December 2016, the Group owned nine international brand hotels and three own brand chain hotels.

As regards investment, the Group participated in the capital increase exercise of E-House China in August 2016. E-House is a leading real estate services provider in China based on mega data. The Group is optimistic about the room and potentials for the future business development of E-House.

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 regard 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.

The Group will push ahead the commencement of its shopping malls in a more systematic and efficient way to ensure the successful opening of five more Powerlong plazas and two asset-light management projects in 2017. 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.

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.

Hoi Kin Hong
Chairman

20 March 2017

CHINA

Total GFA of approximately

24.7

million sq.m.

OVERVIEW

Property Development

As at 31 December 2016, the Group owned and operated 66 property development projects which are at different phases of development. The Group currently has 25 fully completed projects, among which 6 of them are located in Fujian Province, 6 in Shandong Province, 3 in Jiangsu Province, 3 in Zhejiang Province, 1 in Henan Province, 1 in Anhui Province and 5 in Shanghai Municipality. The Group had 41 projects under development or held for future development, among which 10 are located in Shanghai Municipality, 5 in Shandong Province, 9 in Jiangsu Province, 3 in Fujian Province, 6 in Zhejiang Province, 3 in Tianjin Municipality, 2 in Henan Province, 1 in Anhui Province and 1 in Chongqing Municipality and 1 in Hainan Province.

Property Investment

As at 31 December 2016, the Group held investment properties, mainly shopping malls, with a total GFA of approximately 3,865,950 square meters. These shopping malls are mainly located at Shanghai Municipality; Zhenjiang, Yangzhou, Wuxi, Changzhou, Suqian and Yancheng in Jiangsu Province; Hangzhou in Zhejiang Province; Fuzhou, Jinjiang and Anxi in Fujian Province; Yantai (including Laishan and Penglai), Tai'an and Qingdao (including Chengyang, Licang and Jimo) in Shandong Province; Zhengzhou, Luoyang and Xinxiang in Henan Province; Bengbu in Anhui Province; and Chongqing Municipality.

Property Management

The Company provides after-sales property management services to the households of each project developed by the Group through its wholly-owned property management subsidiaries. Such services include maintenance of public utilities, cleaning of public area, gardening and landscaping, and other customer services.

Hotel Development

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 and three own brand chain hotels.

Asset-light management project

As at 31 December 2016, the group managed two asset-light management projects.

GFA (AS AT 31 DECEMBER 2016)

As at 31 December 2016, the development status of the property projects of the Group was as follows:

Province and municipality	Project	Type	Total GFA ('000 sq.m.) (Note 1)	Properties completed ('000 sq.m.)	Properties under development ('000 sq.m.)	Properties held for future development ('000 sq.m.)
Shanghai Municipality	Shanghai Qibao Powerlong City	Commercial	381	232	148	–
	Shanghai Hongqiao Powerlong City	Commercial/Residential	294	294	–	–
	Shanghai Jiading Powerlong Plaza	Commercial	193	193	–	–
	Shanghai Fengxian Powerlong Plaza	Commercial	179	179	–	–
	Shanghai Baoshan Powerlong Plaza	Commercial	36	36	–	–
	Shanghai Caolu Powerlong Plaza	Commercial	168	168	–	–
	Shanghai Lingang Powerlong Plaza	Commercial	87	71	16	–
	Shanghai Qingpu Powerlong Plaza	Commercial	347	22	325	–
	Shanghai Wujing Powerlong Plaza	Commercial	91	17	74	–
	Shanghai Baoshan Powerlong City	Commercial	270	–	270	–
	Shanghai Lingang Powerlong Residence	Commercial/Residential	86	–	86	–
	Shanghai Jiuting Center (Note 2)	Commercial	315	–	315	–
	Shanghai Wujing New Town Project	Commercial	82	–	–	82
	Shanghai Guozhan Powerlong City (Note 2)	Commercial	403	–	–	403
	Shanghai Minhang Maqiao Project (Note 3)	Commercial	42	–	–	42
Sub-total	15		2,973	1,212	1,235	526
Jiangsu Province	Suqian Powerlong Plaza	Commercial/Residential	486	486	–	–
	Changzhou Powerlong Plaza	Commercial/Residential	1,057	637	–	420
	Yangzhou Powerlong Plaza (Note 2)	Commercial/Residential	231	60	171	–
	Wuxi Wangzhuang Powerlong Plaza	Commercial/Residential	287	287	–	–
	Wuxi Yuqi Powerlong Riverside Garden	Commercial/Residential	351	304	–	47
	Zhenjiang Powerlong Plaza	Commercial/Residential	356	313	43	–
	Zhenjiang Powerlong International Garden	Residential	266	–	266	–
	Huai'an Powerlong Plaza	Commercial	153	20	11	121
	Yancheng Powerlong Plaza	Commercial/Residential	495	495	–	–
	Suzhou Taicang Powerlong Plaza	Commercial/Residential	289	266	–	22
	Xuzhou Powerlong Residence	Residential	162	–	–	162
	Jiangsu Wujiang Suzhou Bay Tianpo (Note 4)	Commercial/Residential	391	–	391	–
Sub-total	12		4,524	2,870	882	772
Zhejiang Province	Hangzhou Fuyang Powerlong Plaza	Commercial/Residential	193	193	–	–
	Hangzhou Xiasha Powerlong Plaza	Commercial/Residential	354	354	–	–
	Hangzhou Binjiang Powerlong City	Commercial	402	166	236	–
	Hangzhou Xiaoshan Powerlong Plaza (Note 2)	Commercial	223	223	–	–
	Hangzhou Yuhang Future Technology Town Project	Commercial	247	–	–	247
	Hangzhou Dajiangdong Powerlong Plaza	Commercial/Residential	454	–	454	–
	Hangzhou Dajiangdong Yipeng Project (Note 5)	Residential	204	–	–	204
	Ningbo Yinzhou Project	Commercial	142	–	142	–
	Ningbo Jiangbei Project (Note 6)	Residential	89	–	–	89
Sub-total	9		2,308	936	832	540
Anhui Province	Fuyang Powerlong Plaza (Note 2)	Commercial/Residential	751	188	562	–
	Bengbu Powerlong Plaza	Commercial/Residential	499	499	–	–
Sub-total	2		1,249	687	562	–
Tianjin Municipality	Tianjin Yujiapu Powerlong International Center (Note 2)	Commercial/Residential	359	302	57	–
	Tianjin North Green Area	Commercial	110	–	–	110
	Tianjin Powerlong City	Commercial/Residential	767	326	337	104
Sub-total	3		1,236	628	394	214

Province and municipality	Project	Type	Total GFA ('000 sq.m.) (Note 1)	Properties completed ('000 sq.m.)	Properties under development ('000 sq.m.)	Properties held for future development ('000 sq.m.)
Shandong Province	Dongying Powerlong Plaza	Commercial/Residential	455	263	–	192
	Qingdao Jimo Powerlong Plaza	Commercial/Residential	618	618	–	–
	Tai'an Powerlong Plaza	Commercial/Residential	284	284	–	–
	Yantai Haiyang Powerlong City	Commercial/Residential	408	139	–	269
	Yantai Laishan Powerlong Plaza	Commercial/Residential	170	170	–	–
	Yantai Penglai Powerlong Plaza	Commercial/Residential	349	315	34	–
	Jiaozhou Powerlong Plaza	Commercial/Residential	335	335	–	–
	Jiaozhou Powerlong City	Commercial/Residential	363	–	363	–
	Qingdao Chengyang Powerlong Plaza	Commercial/Residential	707	707	–	–
	Qingdao Licang Powerlong Plaza	Commercial/Residential	369	369	–	–
	Yantai Jinjun	Commercial/Residential	526	–	–	526
Sub-total	11		4,585	3,200	397	988
Henan Province	Xinxiang Powerlong Plaza	Commercial/Residential	1,296	781	247	268
	Luoyang Powerlong Plaza	Commercial/Residential	1,366	1,123	61	181
	Zhengzhou Powerlong Plaza	Commercial/Residential	252	252	–	–
Sub-total	3		2,914	2,156	308	450
Chongqing Municipality	Chongqing Hechuan Powerlong Plaza	Commercial/Residential	622	580	30	12
Sub-total	1		622	580	30	12
Fujian Province	Xiamen Powerlong One Mall	Commercial	383	65	318	–
	Xiamen Powerlong Lakeside Mansions	Commercial/Residential	78	78	–	–
	Quanzhou Anxi Powerlong Plaza	Commercial/Residential	332	332	–	–
	Quanzhou Jinjiang Powerlong Golden Jiayuan	Residential	144	144	–	–
	Quanzhou Yongchun Powerlong Plaza	Residential	381	164	174	43
	Quanzhou Anhai Powerlong Haoyuan	Residential	54	54	–	–
	Quanzhou Jinjiang Powerlong Plaza	Commercial/Residential	775	607	168	–
	Zhangzhou Yunxiao General Avenue No.1	Commercial/Residential	111	111	–	–
	Fuzhou Powerlong Plaza	Commercial	218	218	–	–
Sub-total	9		2,476	1,773	660	43
Hainan Province	Hainan Haikou Global 100 Powerlong City (Note 7)	Commercial/Residential	1,850	–	–	1,850
Sub-total	1		1,850	–	–	1,850
Total	66		24,738	14,040	5,303	5,395

Notes:

1. GFA is subject to change with planning adjustment. Final survey results shall prevail.

2. These land parcels are held by joint ventures. Please refer to note 14 to the consolidated financial statements for details of these joint ventures.

3. This land parcel is held by a project company of which the Group holds 50% equity interests.

4. These land parcels are held by associates. Please refer to note 14 to the consolidated financial statements for details of these associates.

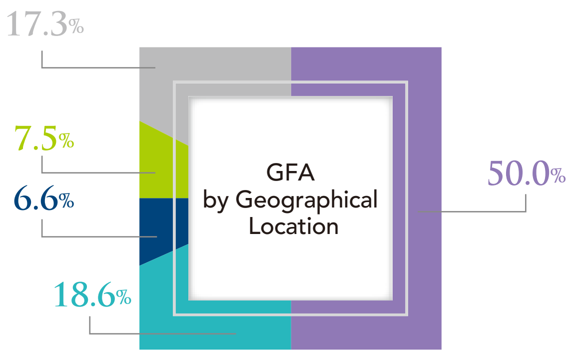
5. This land parcel is held by a project company of which the Group holds 41% equity interests.

6. This land parcel is held by a project company of which the Group holds 82% equity interests.

7. This land parcel is held by a project company of which the Group holds 14% equity interests.

LAND BANK FOR DEVELOPMENT (AS AT 31 DECEMBER 2016)[NOTE]

City Tiers	GFA '000 square meters	Percentage %
First-Tier Cities	2,369	22.1
Second-Tier Cities	3,387	31.7
Third/Fourth-Tier Cities	4,942	46.2
Total	**10,698**	**100**



Geographical Location	GFA '000 square meters	Percentage %
Yangtze River Delta	5,350	50.0
Bohai Rim	1,993	18.6
West Strait Economic Zone	704	6.6
Central and Western Region	801	7.5
Hainan	1,850	17.3
Total	**10,698**	**100**

Note: In addition to land bank for development (including land bank under development and held for future development), the Group owned investment properties in operation of approximately 2.5 million square meters, which adds up to a total GFA of land bank of approximately 13.2 million squares meters as at 31 December 2016.

SHOPPING MALLS IN OPERATION

SHANGHAI JIADING POWERLONG PLAZA

SHANGHAI

SHANGHAI QIBAO
Powerlong City

Opening Date:
October 2016

Operating Area:
Approximately
64,000 square meters Note

SHANGHAI JIADING
Powerlong Plaza

Opening Date:
October 2016

Operating Area:
Approximately
64,000 square meters Note

SHANGHAI BAOSHAN
Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately 14,000
square meters Note

SHANGHAI LINGANG
Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately 21,000
square meters Note

SHANGHAI FENGXIAN
Powerlong Plaza

Opening Date:
November 2015

Operating Area:
Approximately 41,000
square meters Note

SHANGHAI CAOLU
Powerlong Plaza

Opening Date:
December 2013

Operating Area:
Approximately 32,000
square meters Note

TIANJIN YUJIAPU
Powerlong International Center

Opening Date:
December 2014

Operating Area:
Approximately
44,000 square meters Note

TIANJIN YUJIAPU POWERLONG INTERNATIONAL CENTER

TIANJIN

Note: Underground parking spaces excluded.

SHOPPING MALLS IN OPERATION

CHANGZHOU
Powerlong Plaza

Opening Date:
June 2016

Operating Area:
Approximately 103,000 square meters Note

ZHENJIANG
Powerlong Plaza

Opening Date:
September 2015

Operating Area:
Approximately 59,000 square meters Note

SUQIAN POWERLONG PLAZA

JIANGSU PROVINCE

SUQIAN
Powerlong Plaza

Opening Date:
September 2011

Operating Area:
Approximately 121,000 square meters Note

YANCHENG
Powerlong Plaza

Opening Date:
September 2011

Operating Area:
Approximately 135,000 square meters Note

WUXI
Powerlong Plaza

Opening Date:
October 2010

Operating Area:
Approximately 106,000 square meters Note

BENGBU POWERLONG PLAZA

ANHUI PROVINCE

BENGBU
Powerlong Plaza

Opening Date:
December 2009

Operating Area:
Approximately 195,000 square meters Note

Note: Underground parking spaces excluded.

YANTAI PENGLAI POWERLONG PLAZA

SHANDONG PROVINCE

YANTAI LAISHAN
Powerlong Plaza

Opening Date:
December 2016

Operating Area:
Approximately 38,000 square meters [Note]

YANTAI PENGLAI
Powerlong Plaza

Opening Date:
November 2016

Operating Area:
Approximately 44,000 square meters [Note]

QINGDAO JIAOZHOU
Powerlong Plaza

Opening Date:
February 2015

Operating Area:
Approximately 68,000 square meters [Note]

TAI'AN
Powerlong Plaza

Re-opening Date:
September 2012

Operating Area:
Approximately 48,000 square meters [Note]

QINGDAO JIMO
Powerlong Plaza

Opening Date:
December 2011

Operating Area:
Approximately 122,000 square meters [Note]

QINGDAO LICANG
Powerlong Plaza

Opening Date:
December 2011

Operating Area:
Approximately 111,000 square meters [Note]

QINGDAO CHENGYANG
Powerlong Plaza

Opening Date:
October 2009

Operating Area:
Approximately 215,000 square meters [Note]

Note: Underground parking spaces excluded.

SHOPPING MALLS IN OPERATION

JINJIANG
Powerlong Plaza

Opening Date:
December 2013

Operating Area:
Approximately
100,000 square meters Note

QUANZHOU ANXI
Powerlong Plaza

Opening Date:
December 2010

Operating Area:
Approximately
55,000 square meters Note

FUZHOU
Powerlong Plaza

Opening Date:
April 2007

Operating Area:
Approximately
95,000 square meters Note

QUANZHOU ANXI POWERLONG PLAZA

FUJIAN PROVINCE


HANGZHOU BINJIANG POWERLONG CITY

ZHEJIANG PROVINCE

HANGZHOU BINJIANG
Powerlong City

Opening Date:
December 2016

Operating Area:
Approximately
126,000 square meters Note

HANGZHOU FUYANG
Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately
22,000 square meters Note

HANGZHOU XIAOSHAN
Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately 64,000
square meters Note

HANGZHOU XIASHA
Powerlong Plaza

Opening Date:
November 2014

Operating Area:
Approximately 18,000
square meters Note

Note: Underground parking spaces excluded.

ZHENGZHOU POWERLONG PLAZA

HENAN PROVINCE

XINXIANG
Powerlong Plaza

Opening Date:
September 2012

Operating Area:
Approximately
90,000 square meters Note

LUOYANG
Powerlong Plaza

Opening Date:
December 2011

Operating Area:
Approximately
133,000 square meters Note

ZHENGZHOU
Powerlong Plaza

Opening Date:
December 2009

Operating Area:
Approximately
108,000 square meters Note

CHONGQING HECHUAN
Powerlong Plaza

Opening Date:
December 2014

Operating Area:
Approximately
74,000 square meters Note

CHONGQING HECHUAN
POWERLONG PLAZA

CHONGQING

Note: Underground parking spaces excluded.

HOTELS

LE MERIDIEN SHANGHAI MINHANG

Opening Date:
October 2016

Number of Rooms (Suites):
241

Address:
No. 3199, Caobao Road,
Minhang District,
Shanghai,
China

RADISSON EXHIBITION CENTER SHANGHAI

Opening Date:
May 2016

Number of Rooms (Suites):
226

Address:
No. 1550, Xin Fu Zhong Road,
Qingpu District,
Shanghai,
China

RADISSON BLU SHANGHAI PUDONG JINQIAO

Opening Date:
January 2016

Number of Rooms (Suites):
196

Address:
No. 2, Lane 2449, Jinhai Road,
Pudong District, Shanghai,
China

LE MERIDIEN SHANGHAI MINHANG

SHANGHAI

ARTELS ANXI

FUJIAN PROVINCE

ARTELS ANXI

Opening Date:
September 2015

Number of Rooms (Suites):
98

Address:
No. 17, Jianan Avenue,
Chengxiang, Anxi, Quanzhou,
Fujian Province, China

CHONGQING

DAYS HOTEL POWERLONG CHONGQING

DAYS HOTEL POWERLONG CHONGQING

Opening Date:
December 2015

Number of Rooms (Suites):
253

Address:
No. 223 Puyan Road,
Hechuan,
Chongqing, China

FOUR POINTS BY SHERATON QINGDAO, CHENGYANG

SHANDONG PROVINCE

POWERLONG INN. PENGLAI

Opening Date:
May 2015

Number of Rooms (Suites):
240

Address:
No. 6, Haibin Road,
Penglai, Yantai,
Shandong Province, China

ARTELS QINGDAO

Opening Date:
December 2011

Number of Rooms (Suites):
170

Address:
No. 689, Qingshan Road,
Licang District, Qingdao,
Shandong Province, China

ALOFT HAIYANG

Opening Date:
June 2011

Number of Rooms (Suites):
145

Address:
Powerlong City,
West Haibin Road, Haiyang,
Yantai, Shandong Province,
China

FOUR POINTS BY SHERATON QINGDAO, CHENGYANG

Opening Date:
February 2011

Number of Rooms (Suites):
303

Address:
No. 271 Wenyang Road,
Chengyang District, Qingdao,
Shandong Province, China

FOUR POINTS BY SHERATON TAI'AN

Opening Date:
December 2010

Number of Rooms (Suites):
300

Address:
No. 6 Daidao'an Road,
Taishan District, Tai'an,
Shandong Province, China

ALOFT YANCHENG

Opening Date:
December 2013

Number of Rooms (Suites):
299

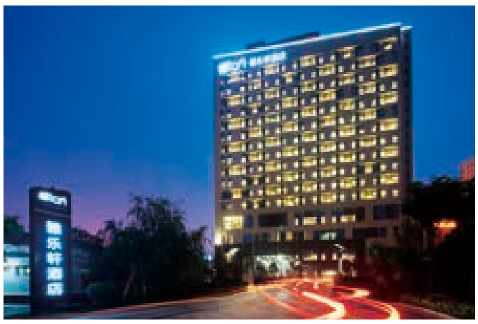
Address:
No. 99 South Yingbin Road,
Tinghu District, Yancheng,
Jiangsu Province, China

FOUR POINTS BY SHERATON TAICANG

Opening Date:
June 2010

Number of Rooms (Suites):
446

Address:
No. 288 East Shanghai Road,
Taicang, Suzhou, Jiangsu
Province, China



ALOFT YANCHENG

JIANGSU PROVINCE

Management Discussion and Analysis

HOI WA FONG
CEO

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, 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:

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

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 shopping malls, 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 the Group's 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:

Name of project	Usage	Attributable interest	Site area '000 sq.m.	Total GFA* '000 sq.m.
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
Total			1,957	3,823

* Total GFA excludes underground and car parking spaces

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:

		Year ended 31 December 2016		
		GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB'000)	Average selling price (RMB/sq.m.)
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
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 Mansions	Commercial	1,054	20,639	19,582
	Residential	1,104	26,414	23,926
Quanzhou Jinjiang Powerlong Plaza	Commercial	332	6,431	19,370
	Residential	56,970	363,135	6,374
Quanzhou Yongchun Powerlong Plaza	Commercial	4,136	34,875	8,432
	Residential	15,682	78,879	5,030
Zhangzhou Yunxiao General Avenue No. 1	Residential	11,216	62,181	5,544

		Year ended 31 December 2016 GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB'000)	Average selling price (RMB/sq.m.)
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 Plaza	Commercial	337	592	1,757
	Residential	5,629	21,707	3,856
Others	Commercial	3,245	22,948	7,072
	Residential	1,267	5,661	4,468
Total		1,179,029	12,530,000	10,627
	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 (2015: RMB1,602 million), representing an increase of approximately 1.6% as compared with 2015, which 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
	11,185,180	10,221,098

Commitments

Commitments for property development expenditures

	As at 31 December 2016 RMB'000	2015 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
	5,518,376	6,629,552

Operating leases commitments

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

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

POSSIBLE RISKS AND UNCERTAINTIES

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business Risk

The business of the Group is highly dependent on the performance of the PRC property market. Any property market downturn in China generally or in the cities and regions in which the Group's property projects are located, or the lack of suitable land banks/reserves for project development could adversely affect the Group's business, results of operations and financial position.

Further, property development is capital intensive in nature. Whilst the Group finances its property projects primarily through a combination of pre-sale and sale proceeds, borrowings from financial institutions and internal funds, if no adequate financing can be secured or there is any failure to renew the Group's existing credit facilities prior to their expiration, the Group's operation may adversely be impacted.

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.

Financial Risk

The financial risk management of the Group are set out in note 3 to the consolidated financial statements.

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.

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.

Further information in relation to the Share Option Scheme, the Pre-IPO Share Option Scheme and Share Award Scheme are set forth in the "Report of the Directors" in this annual report.

Directors and Senior Management

EXECUTIVE DIRECTORS

HOI Kin Hong, aged 65, is an executive Director and the Chairman of the Board. He is primarily responsible for the overall strategy and investment decisions of the Group. Mr. Hoi is a member of the Chinese People's Political Consultative Conference and of the plenary meeting of the Selection Committee of the Macau Special Administrative Region of the People's Republic of China. He is also the Vice Chairman of All-China Federation of Industry & Commerce. Mr. Hoi founded Powerlong Group Development Co., Ltd. (the "Xiamen Powerlong Group") in 1992 and has served as its Chairman. Since the establishment of Xiamen Powerlong Group, he has been engaged in the real estate development business, and has completed the development of several residential projects. He started to specialize in the development of commercial properties in 2003. Mr. Hoi has, for a number of times, been recognized as a Contributor to Real Estate Brands in China by the China Real Estate Top 10 Research Team since 2006. In addition, Mr. Hoi was also awarded various honours such as the Most Influential Entrepreneur in China, China Celebrities Achievement Award "10 Outstanding Masters", Top 30 People in motivating Chinese Economy over the 30 years of China's reformation, the Outstanding Leader in the Commercial Real Estate Industry in China, China Top 100 Real Estate Entrepreneurs, Charity Special Contribution Award of China and Award for Excellence in the 20th Anniversary of China Guangcai Program Outstanding Contribution Award. Mr. Hoi is the father of Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, an executive Director and a non-executive Director, respectively.

HOI Wa Fong, aged 39, is an executive Director and Chief Executive Officer of the Group. He is primarily responsible for the overall management of the business operations of the Group. Mr. Hoi Wa Fong is a member of All-China Federation of Returned Overseas Chinese, a member of All-China Youth Federation, a director of China Overseas Friendship Association, a member of Chinese People's Political Consultative Conference for the city of Shanghai, Vice Chairman of China Real Estate Chamber of Commerce, an executive chairman of Shanghai Nonlocal Enterprises Federation, vice-chairman of the Fujian Youth Federation and chairman of World Jinjiang Youth Association. He graduated from the School of Management of Xiamen University and received an EMBA from the Cheung Kong Graduate School of Business. He is currently pursuing a DBA at the Cheung Kong Graduate School of Business. He started to work as an intern in Xiamen Powerlong Group in 1999 and joined the Group upon graduation from Xiamen University in 2003. He held various positions including vice general manager, general manager, vice president, chief vice president and chief executive officer. He was awarded Top 10 New Leaders in the Real Estate Industry in the PRC, one of the Top 10 Outstanding Young Entrepreneurs in Fujian Province, New Person of the Year in the Real Estate Industry in the PRC from CIHAF, Most Influential People in the Real Estate Industry in the PRC, Person of the Year in China Commercial Real Estate Value List, Outstanding Individual Among Returned Overseas Chinese and Family Members and so forth. Mr. Hoi Wa Fong is the son of Mr. Hoi Kin Hong, an executive Director and the Chairman of the Board.

XIAO Qing Ping, aged 68, is an executive Director and the Deputy Chief Executive Officer of the Group. Mr. Xiao is primarily responsible for the human resources and administrative management of the Group. He was an officer of Jinjiang Bureau of Land Administration from 1997 to 1999. He has over 30 years of experience in administration management. He joined Xiamen Powerlong Group in October 2001 as vice president and head of administration. In November 2007, he resigned from his position in Xiamen Powerlong Group and joined the Group as an executive Director. He graduated from China Textile Political Distance Learning College in 1988, majoring in economic management.

SHIH Sze Ni, aged 36, is an executive Director. Ms. Shih is fully responsible for the overall commercial operation of the Group. Ms. Shih graduated from Central Queensland University in Australia with a master's degree in arts administration, and obtained an EMBA degree from the Cheung Kong Graduate School of Business in September 2014. She joined Xiamen Powerlong Hotel in January 2003 as a director. She then joined Xiamen Powerlong Group in 2005 as a director and general manager of the finance department. In November 2007, she held the positions of executive Director, general manager of supervision department and cost control centre. She has been fully directing the operation of the Commercial Group under the Group since April 2011. Ms. Shih Sze Ni is the wife of Mr. Hoi Wa Fong, an executive Director.

ZHANG Hong Feng, aged 49, is an executive Director, an executive vice president and general manager of Business Division 2 of the Company. Mr. Zhang is fully responsible for the operation and management of Business Division 2 and its subsidiary real estate companies. Mr. Zhang was a department manager of Tianyu Real Estate Company (天宇房地產公司), an assistant to the general manager of Anbao Real Estate Development Company Limited (安寶房地產開發有限公司), deputy general manager of the real estate centre of Xiamen Powerlong Group, an executive director of Suzhou Powerlong Real Estate Development Company Limited (蘇州寶龍房地產發展有限公司), an executive director of Suqian Powerlong Property Development Company Limited (宿遷寶龍置業發展有限公司), a general manager of Suqian Powerlong Commercial Property Management Company Limited (宿遷寶龍商業物業管理有限公司), a general manager of Tianjin Powerlong City Company, a regional deputy general manager of the southern region, a general manager of project management centre, and a vice president and a general manager of companies in other provinces and regions of the Company. He obtained a bachelor's degree in industrial electrical automation from Guangxi University in July 1989 and received an EMBA from Tongji University in December 2015. He joined the Company in December 2004 and was appointed as an executive Director on 14 October 2015.

NON-EXECUTIVE DIRECTOR

HOI Wa Fan, aged 41, is a non-executive Director. Ms. Hoi is the managing director of Companhia de Construcao e Investmento Predialpou Long, Limitada (寶龍集團發展有限公司) and is responsible for the overall management and business development of Companhia de Construcao e Investmento Predialpou Long, Limitada (寶龍集團發展有限公司). Since 2000, she has been the managing director of Nicole, a fashion brand concept store in Macau. In December 2011, she established Ultra City Co., Ltd. and held the position of managing director. She was responsible for the overall management of business operation of Ultra City Co., Ltd. Ms. Hoi is the daughter of Mr. Hoi Kin Hong, an executive Director and the Chairman of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

NGAI Wai Fung, aged 55, is an independent non-executive Director, the managing director of MNCOR Consulting Limited and the chief executive officer of SW Corporate Services Group Limited, a specialty company secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. He has over 20 years of senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and secretarial work for listed issuers including major red chips companies. Mr. Ngai had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. He is the Past President of Hong Kong Institute of Chartered Secretaries. He was appointed by the Chief Executive of the Hong Kong Special Administrative Region as a member of the Working Group on Professional Services under the Economic Development Commission since 2013 and reappointed for further 2 years in 2017. He is the Adjunct Professor of Department of Law of Hong Kong Shue Yan University, a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants, a member of the General Committee of the Chamber of Hong Kong Listed Companies and has been appointed as a Finance Expert Consultant by the Ministry of Finance of the PRC since 2016. Mr. Ngai is currently an independent non-executive director of BaWang International (Group) Holding Limited, Bosideng International Holdings Limited, Biostime International Holdings Limited, China Coal Energy Company Limited, China Railway Group Limited, Beijing Capital Juda Limited, SITC International Holdings Company Limited, Yangtze Optical Fibre and Cable Joint Stock Limited Company, BBMG Corporation, China HKBridge Holdings Limited (formerly known as "Topsearch International (Holdings) Limited") and TravelSky Technology Limited, and also the independent director of LDK Solar Co., Ltd. and SPI Energy Co. Ltd.. Apart from LDK Solar Co., Ltd. and SPI Energy Co. Ltd., which are now listed on the OTC Pink Limited Information and Nasdaq respectively, all of which are companies listed on the Hong Kong Stock Exchange and/or the Shanghai Stock Exchange. Mr. Ngai is a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of the Hong Kong Institute of Chartered Secretaries, a fellow of Hong Kong Institute of Directors and a member of Hong Kong Securities and Investment Institute. Mr. Ngai received a doctoral degree in finance at Shanghai University of Finance and Economics in 2011, a master's degree in corporate finance from Hong Kong Polytechnic University in 2002, a bachelor honor degree in laws from University of Wolverhampton in the United Kingdom in 1994 and a master's degree in business administration from Andrews University of Michigan in the United States in 1992.

Mr. Ngai was an independent non-executive director of China Life Insurance Company Limited, Franshion Properties (China) Limited, China Railway Construction Corporation Limited and Sany Heavy Equipment International Holdings Company Limited.

MEI Jian Ping, aged 57, is an independent non-executive Director. Mr. Mei has been a professor of finance at Cheung Kong Graduate School of Business since 2006. He was an assistant professor from 1990 to 1995 at New York University, and an associate professor of finance at the same university from 1996 to 2005. From 2003 to 2008, he was a visiting professor at Tsinghua University. Mr. Mei has been a director of Cratings.com Inc. since 1999. Mr. Mei has served on the board of directors of Zhong De Securities Company Limited since 2009. He has published a number of books and articles on topics related to finance. Mr. Mei received a bachelor degree in mathematics from Fudan University in 1982, a master degree in economics and a doctorate in economics (finance) from Princeton University in 1988 and 1990, respectively. He was appointed as an independent non-executive Director of the Company in June 2008. He was also appointed as an independent non-executive director of MI Energy Holdings (HK stock code: 1555), Ground International Development Limited (HK stock code: 0989) and China Rundong Auto Group Limited (HK stock code: 1365) in 2010, 2013 and 2014 respectively. He was also appointed as an independent non-executive director of HSBC Jintrust Fund Management Company Limited in 2015. He was also appointed as independent director of Cultural Investment Holdings Co., Ltd. (SH stock code: 600715) in 2016.

DING Zu Yu, aged 44, is an independent non-executive Director. He is the chief executive officer of E-House (China) Corporate Group (易居（中國）企業集團), the chairman of CRIC Information Technology Group (克而瑞信息集團) and the general manager of Beijing Institute of Housing Technical Services Association Ltd (北京中房研協技術服務有限公司). He is also an independent director of Sanxiang Co., Ltd (三湘股份有限公司) (SZ stock code: 000863) and Shanghai Chengtou Holdings Co., Ltd (上海城投控股股份有限公司) (SH stock code: 600649). Save as the above, he had also held various positions in China Real Estate Information Group Co., Ltd (中國房產信息集團) in the past including as a co-president and an executive director from September 2009 to April 2012. He is also currently assuming important positions in other professional associations and bodies within the PRC real estate industry. He serves as a vice principal of the E-House Research and Training Institute (易居研究院). He is also an executive committee member of the China Real Estate Association (中國房地產協會), an adviser on the real estate market for the China's Ministry of Housing and Urban-Rural Development (國家住房和城鄉建設部房地產) and a member of standing committee of CPPCC of Jing'an District in Shanghai (上海市靜安區政協). He was named as "Shanghai Outstanding Young Merchant" (上海傑出青年企業家) in 2012 and was named one of the "Top Ten Shanghai Young Merchants" (上海十大傑出青年企業家) for 2011 to 2012. He received his bachelor's degree in real estate economics in 1998 and his Ph.D. in economics in 2013 from the East China Normal University.

Save as otherwise disclosed, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SENIOR MANAGEMENT

LIAO Ming Shun, aged 53, is the vice president and the Chief Financial Officer of the Company. Mr. Liao is responsible for the overall capital operation, financing, taxation and integrated financial control of the Company. He served senior management positions in various large-scale enterprises. Prior to joining the Company, he was the director, chief financial controller and general manager of the finance company of the Ministry of Agriculture of Fujian Province and Fujian Great World Enterprises Group Company Limited, the independent director of Fujian Dongbai Enterprise Group Company Limited (SH stock code: 600693), the vice secretary general of private branch of Fujian Accounting Institute, the secretary general of real estate branch of Fujian Taxpayers' Club. He obtained a bachelor's degree in Rural Finance from Fujian Agriculture and Forestry University, and was awarded a master's degree by the Graduate School of Chinese Academy of Social Sciences. He is also qualified as a Senior Accountant, Senior Economist, International Public Accountant, Certified Taxation Accountant, and Financial Planner. He was awarded one of the "Top CFOs for 2012 by the Xinlicai Magazine of Ministry of Finance", "2013 China's Financial Value Leadership Award", "2014 Huazun Award – Top 10 most Respected Brand Builders who promoted the economic development of the industry" and "2015 CFODC – China's Top 10 Capital Operators. He joined the Company in August 2009.

HONG Qun Feng, aged 44, is the vice president of the Company and general manager of Powerlong Land Development Limited, responsible for overall operation and management of business of Powerlong Land. Mr. Hong was the property manager of Xiamen Jindu Property Management Co. Ltd. (廈門金都物業管理有限公司), assistant to the general manager of Xiamen Chengyi Property Development Co. (廈門誠毅房地產開發公司) and the founder and general manager of Xiamen Bairun Property Consulting Co. Ltd. (廈門百潤房地產顧問有限公司). He received an EMBA from Tongji University in 2015. He joined the Company in 2005.

SUN Yong, aged 55, is the vice president of the Company and general manager of Business Division 1, responsible for overall operation and management of Business Division 1. He took up senior management positions in many large enterprises. Before he joined the Company, he was chairman of Shanghai Gubei Group Co. Ltd, general manager of China Enterprise Co. Ltd (SH stock code: 600675), general manager of Shanghai Zhong Xing Co. and chairman of Shanghai Estate Guaranty Co. Ltd. He received a master's degree from CEIBS in March 2003. He is also a senior engineer. He joined the Company in August 2016.

LV Cui Hua, aged 41, is a vice president and the general manager of the cost control centre of the Company and leads operation management centre and technology management centre and is responsible for development and operation and cost control management. Ms. Lv was the person-in-charge of the cost control department of Youfu (Shanghai) Company Limited (友富(上海)有限公司) and person-in-charge of the contract department of CapitaLand China. She is a National Registered Constructor and a senior engineer. She is currently studying for an EMBA at Tongji University. She joined the Company in May 2010.

PAN Lijun, aged 49, is a vice president of the Company and the general manager of Powerlong Commercial Group and is responsible for commercial operation management. She was vice president of the Asian real estate and asset management of Walmart (NYSE: WMT.N), a Global 500 company; vice president of China region and director of the board of Ivanhoé Cambridge (億萬豪劍橋) under Canada's largest pension fund and the 8th largest sovereign funds in the world; vice president of international development of S&P00 Simon Property Group, Inc.(NYSE: SPG.N), the largest REIT in the United States, and general manager and group-level senior vice president of Super Brand Mall Shanghai. She holds a bachelor's degree from the University of International Relations in China, an MBA degree from Florida International University and a senior management certificate from Wharton Business School of the University of Pennsylvania. She is a certified retail property executive (CRX), certified shopping center manager (CSM) and certified leasing specialist (CLS) of the International Council of Shopping Centers (ICSC), and Florida registered real estate agent. She established the Florida China Chamber of Commerce and served as its first director in 2002. She is also executive director of China Commercial Real Estate Association (CCREA), expert member of Mall China, council member of SCSC and consultation committee member (China region) of ICSC. She joined the Company in January 2017.

Michael James Stevens, aged 52, is a vice president of the Company and is responsible for the operation management, construction management and technical services of the Company's hotel group, including management contracted out hotels under international luxury brands and own brand hotels. He has held senior management positions in various countries and in reputed companies. Before joining the Company he was senior vice president of Deer Valley Development Group, vice president of Wanda Hotels & Resorts and area general manager for InterContinental Hotel Group (Sanya & Sichuan regions). He came to China in 2008 and before that he was managing many luxury properties for COMO Hotels & Resorts in Bali & Maldives and he also worked for Shangri-la Hotels in China. He obtained an MBA degree from Strathclyde University. He also obtained a general manager certificate from Cornell University, a business administration certificate from the School of Commerce and Economics of Washington State University, Shangri-La Hotel Group registered trainer certificate and a diploma in hotel operations from Les Roches. In 2009, he was awarded Best General Manager by China Hotel Starlight Awards. He joined the Company in August 2016.

XIAO Ying Lin, aged 43, is a company secretary of the Company and secretary of the Board. Ms. Xiao is responsible for the listing and compliance management of the Company. She is a fellow member of The Institute of Chartered Secretaries and Administrators of the United Kingdom and The Hong Kong Institute of Chartered Secretaries as well as a member of The Chinese Institute of Certified Public Accountants. Ms. Xiao also acted as a company secretary and secretary of the board of Lianhua Supermarket Holdings Co., Ltd. (HK stock code: 0980). She has 17 years of extensive experience in the company secretarial, capital operation, compliance, information disclosure and investor relations fields. She holds a master degree in Finance from the Shanghai Academy of Social Sciences in 2000. She acted as a company secretary of the Company from October 2012 to October 2015 and rejoined the Company in October 2016.

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present this Corporate Governance Report for the year ended 31 December 2016.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company focuses on maintaining high standard of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more values for its shareholders. The Board continuously reviews and improves the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders. During the year ended 31 December 2016, save for the deviation from code provision A.6.7 in Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"), the Company has complied with all applicable code provisions in the CG Code. The details are set forth below.

BOARD OF DIRECTORS

The Board's major functions and duties are to oversee the management, businesses, strategic directions and financial performance of the Group as well as to maximize the financial performance of the Group and make decisions in the best interests of the Group. The Board is also fully responsible for the formulation of business plans and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The Board has delegated the authority and responsibilities to the management for the day-to-day operations of the Group. In addition, the Board has also established Board committees and has delegated various responsibilities to these Board committees as set out in their respective terms of reference.

All Directors have separate and independent access to the Company's senior management to fulfill their duties and, upon reasonable request in appropriate circumstances; all Directors can seek independent professional advice at the Company's expense. The Board also has access to the company secretary of the Company with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Composition of the Board

The Board currently consists of nine members, with five executive Directors, one non-executive Director and three independent non-executive Directors. During the year ended 31 December 2016, the Company had at all times complied with Rule 3.10 and Rule 3.10A of the Listing Rules. The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision-making. The Board believes that the non-executive Directors and independent non-executive Directors have brought their independent judgment on issues in connection with the Group's strategies, performance, conflict of interests and management process so that the interests of all shareholders are considered and safeguarded.

Pursuant to the annual written confirmations, all independent non-executive Directors have confirmed their independence to the Company pursuant to the requirements of the Listing Rules and the Company considers them to be independent in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

Practice and conducts of meetings

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For Board committee meetings, reasonable notice is given. An agenda and accompanying Board papers with complete and reliable information are sent to all Directors at least three days in advance of the Board meetings. Materials for Board committees meetings are sent in accordance with the terms of reference of the relevant Board committees.

The company secretary of the Company is responsible for taking and keeping minutes of all Board and Board committees meetings, which record sufficient details of the matters considered by the Board and Board committees and decisions made, including any proposal raised by the Directors or dissenting views expressed. The minutes are kept by the company secretary and are open for inspection by the Directors.

During the year ended 31 December 2016 and up to the date of this report, the Board consists of the following Directors and attendance of each Director at four Board meetings and the annual general meeting of the Company held during the year ended 31 December 2016 is set out as follows:

	Attendance/ Number of Board meetings held during tenure	Attendance/ Number of general meetings held during tenure
Executive Directors		
Mr. Hoi Kin Hong (Chairman of the Board and the Nomination Committee)	4/4	1/1
Mr. Hoi Wa Fong (Chief Executive Officer)	4/4	1/1
Mr. Xiao Qing Ping	4/4	1/1
Ms. Shih Sze Ni	4/4	1/1
Mr. Zhang Hong Feng	4/4	1/1
Non-executive Director		
Ms. Hoi Wa Fan	4/4	1/1
Independent non-executive Directors		
Mr. Ngai Wai Fung (Chairman of the Audit Committee)	4/4	1/1
Mr. Mei Jian Ping (Chairman of the Remuneration Committee) (Note 1)	4/4	0/1
Mr. Ding Zu Yu (Note 2)	3/4	1/1

Notes:

1. Mr. Mei Jian Ping was engaged in other duties and therefore did not attend the general meeting for the year ended 31 December 2015 held on 13 June 2016 by the Company.

2. Mr. Ding Zu Yu was engaged in other duties and therefore did not attend the Board meeting held on 10 August 2016 by the Company.

Code provision A.6.7 of the CG Code states that independent non-executive directors and non-executive directors should attend regularly the Board meetings of the Company and the Committee meetings on which they serve as member of the Committee, as well as attend the general meeting.

Board Diversity Policy

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments are based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates is based on a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits of the selected candidates and their contribution to the Board.

Appointment and re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are governed by the Company's Articles of Association (the "Articles of Association"), a copy of which has been published on the Stock Exchange's website and the Company's website.

Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni and Mr. Zhang Hong Feng, the executive Directors and Ms. Hoi Wa Fan, a non-executive Director, have entered into service contracts with the Company for a term of three years commencing from 14 October 2015 to 13 October 2018. Mr. Ngai Wai Fung, Mr. Mei Jian Ping and Mr. Ding Zu Yu, the independent non-executive Directors, have entered into letters of appointment with the Company for a term of three years commencing from 14 October 2015 to 13 October 2018.

Under the Articles of Association, the Board is empowered to appoint any person as a director to fill the casual vacancy or as an additional director of the Board. The Board, with the recommendation of the Nomination Committee, considers a candidate's experience, skill and knowledge and competency and ability to fulfill duty of care and diligence and fiduciary duty. All Directors appointed to fill a casual vacancy are subject to election by shareholder at the first general meeting after their appointment, and every Director, including those appointed for a specific term, are subject to retirement by rotation at least once every three years. As such, no Director has a term of appointment longer than three years.

Directors' Responsibilities for the Financial Statements

The Directors acknowledged their responsibilities for preparation of the consolidated financial statements for the financial year ended 31 December 2016 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year ended 31 December 2016 and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" contained in this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Hoi Kin Hong is the Chairman of the Board and Mr. Hoi Wa Fong is the Chief Executive Officer of the Company. Responsibilities between the Chairman of the Board and the Chief Executive Officer of the Company are clearly divided and segregated to ensure a balance of power and authority and to reinforce their independence and accountability.

Mr. Hoi Kin Hong, being the Chairman of the Board, is responsible for providing leadership to the Board and ensuring that the Board functions effectively, that Directors receive in timely manner adequate information which is complete and reliable and that all Directors are properly briefed on issues proposed at Board meetings. The Chairman of the Board also encourages Directors to participate actively and to make a full contribution to the Board so that the Board acts in the best interests of the Group. Mr. Hoi Wa Fong, being the Chief Executive Officer of the Company, is responsible for the daily operations of the Group, execution of business policies, strategies, objectives and plans as formulated and adopted by the Board and leading the management of the Group.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of directors' responsibilities and obligations under the Listing Rules and the relevant statutory requirements.

Directors are continually updated on the latest statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continual briefing and professional development trainings for directors will be arranged by the Company as necessary.

Pursuant to Code A.6.5 of the CG Code, the Company encourages all Directors to participate in continuing professional development in order to develop and refresh their knowledge and skills. The Company offers professional training provided by Mr. Ngai Wai Fung to Directors by way of seminars, providing them with training materials. The training attended by the Directors during the year ended 31 December 2016 is summarized as follows:

Title of seminar:	Risk management and internal control, environmental, social and governance reporting
Date of seminar:	27 November 2016
Presenter:	Mr. Nagi Wai Fung
Directors attended:	Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni, Mr. Zhang Hong Feng, Ms. Hoi Wa Fan, Mr. Mei Jian Ping, Mr. Ding Zu Yu

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made of all Directors and all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2016.

To comply with code provision A.6.4 of the CG Code, Relevant Employees (as defined in the Listing Rules), who are likely to be in possession of unpublished inside information of the Group or its securities due to their offices or employment, are also subject to compliance with written guidelines no less exacting than the Model Code.

During the year ended 31 December 2016, no incident of non-compliance with the Model Code and the written guidelines by the Directors and the Relevant Employees was noted by the Company to date.

BOARD COMMITTEES

During the year under review, the Board had three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with defined written terms of reference approved by the Board which set out the Board committees' respective duties. Terms of reference of the Board committees are reviewed from time to time to cope with the latest amendments of the Listing Rules and the needs of the Company and are available for Shareholders on the Stock Exchange's website and the Company's website.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, may seek independent professional advice in appropriate circumstances at the Company's expense.

AUDIT COMMITTEE

During the year under review, the Audit Committee comprised all independent non-executive Directors:

Mr. Ngai Wai Fung **(Chairman of the Audit Committee)**
Mr. Mei Jian Ping
Mr. Ding Zu Yu

Terms of reference of the Audit Committee were established pursuant to the requirements under Rule 3.21 of the Listing Rules and code provision C.3.3 of the CG Code. The primary duties of the Audit Committee are to:

- review the financial statements, reports and consider any significant or unusual items raised by the external auditor before submission to the Board;
- review and monitor the relationship with the external auditor of the Company by reference to the work performed by the external auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor;
- review the adequacy and effectiveness of the Company's financial controls, internal control system, risk management system and the associated procedures; and
- develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.

The Audit Committee provides supervision over the risk management and internal control systems of the Group and reports to the Board on any material issues and makes recommendations to the Board.

During the year ended 31 December 2016, the Audit Committee held two meetings to review the financial results, to make recommendations to improve the Group's risk management and internal control and to review continuing connected transactions of the Group. The chief financial officer of the Company and representatives of the external auditor of the Company attended the meetings.

Attendance of individual members of the Audit Committee at the meetings held during the year ended 31 December 2016 is set out as follows:

Audit Committee Members	Attendance/ Number of Audit Committee meetings held during tenure
Mr. Ngai Wai Fung	2/2
Mr. Mei Jian Ping	2/2
Mr. Ding Zu Yu	1/2

REMUNERATION COMMITTEE

During the year under review, the Remuneration Committee comprised three members, the majority of which is independent non-executive Directors:

Mr. Mei Jian Ping **(Chairman of the Remuneration Committee)**
Mr. Hoi Wa Fong
Mr. Ding Zu Yu

The Remuneration Committee has adopted written terms of reference prepared by reference to the requirements under the code provision B.1.2 of the CG Code. The primary functions of the Remuneration Committee are to (i) make recommendations to the Board in relation to the remuneration policy and structure of all Directors and senior management, and to establish a formal and transparent procedure for the developing remuneration policy; (ii) determine or make recommendations, if any, on the remuneration packages for Directors and senior management; (iii) review and approve management's remuneration proposals with reference to the corporate goal and objectives from time to time.

During the year ended 31 December 2016, the Remuneration Committee held two meetings to review and consider the remuneration packages for the Directors and senior management of the Company.

Attendance of individual members of the Remuneration Committee at the meeting held during the year ended 31 December 2016 is set out as follows:

Remuneration Committee Members	Attendance/ Number of Remuneration Committee meetings held during tenure
Mr. Mei Jian Ping	2/2
Mr. Hoi Wa Fong	2/2
Mr. Ding Zu Yu	2/2

NOMINATION COMMITTEE

During the year under review, the Nomination Committee comprised three members, the majority of which were independent non-executive Directors:

Mr. Hoi Kin Hong **(Chairman of the Nomination Committee)**
Mr. Mei Jian Ping
Mr. Ding Zu Yu

The Nomination Committee has adopted written terms of reference prepared by reference to the requirement of code provision A.5.2 of the CG Code. The primary functions of the Nomination Committee are to (i) review the structure, size and composition of the Board; (ii) identify individuals suitably qualified to become members of the Board and make recommendations on selection of individuals nominated for directorships; (iii) make recommendations to the Board on appointment or reappointment of Directors and succession planning for Directors; (vi) assess the independence of independent non-executive Directors; and (v) review the policy on Board diversity.

During the year ended 31 December 2016, the Nomination Committee held 1 meeting to approve the nomination of the Executive Directors of the Company, review the structure of the Board and confirm the compliance of the composition of the Board with the Board diversity policy adopted by the Company.

Attendance of individual members of the Nomination Committee at the meeting for the year ended 31 December 2016 is set out as follows:

Nomination Committee Members	Attendance/ Number of Nomination Committee held during tenure
Mr. Hoi Kin Hong	1/1
Mr. Mei Jian Ping	1/1
Mr. Ding Zu Yu	1/1

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control system in order to safeguard the Group's assets and shareholders' interests and reviewing the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate.

The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to the individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Board from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis.

The Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2016. The assessment was made by discussions with the management of the Company, its external and internal auditors and the review performed by the Audit Committee. The Board believes that the existing internal control and risk management systems are adequate and effective.

ANNUAL REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the Directors and senior management of the Company is determined in accordance with the Company's remuneration policy and structure

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2016 is set out as below:

Annual remuneration by band	Number of individuals
RMB800,001 and above	3
RMB600,001 to RMB800,000	2
RMB600,000 and below	5

Details of the remuneration of the Directors for the year ended 31 December 2016 are set out in note 39 to the financial statements.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of external auditor of the Company about his reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2016 is set out in the section headed "Independent Auditor's Report" in this annual report.

For the year ended 31 December 2016, the fee paid/payable to the external auditor of the Company in respect of audit services and non-audit services is set out as follows.

	Fee paid/payable (RMB' million)
Audit services:	
• Annual audit (including Hong Kong Standard on Review Engagements 2410 review on interim results)	4.8
Non-audit services:	
• Services rendered in respect of bonds issuance by the Group	0.9

SHAREHOLDER RELATIONS

The Company believes that by adopting a policy of disclosing clear and relevant information to shareholders through publication of announcements, notices, circulars, interim and final reports in a timely manner, the Company is able to establish an effective and appropriate relationship with its shareholders. Further, shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post. To enhance the Company's transparency, other information of the Company is also published at the Company's website at http://www.powerlong.com. In addition to publication of information, the annual general meeting of the Company provides a forum for communication between shareholders and Directors. The Chairman of the Board personally chairs the annual general meeting to ensure shareholders' views are communicated to the Board. In addition to the Chairman of the Board, the chairmen of the Board committees, or in their absence, other members of the respective Board committees, are available to answer any queries that shareholders may have. The Chairman will propose separate resolutions for each issue to be considered at the annual general meeting. The annual general meeting proceedings are reviewed from time to time to ensure that the Company follows the best corporate governance practices and shareholders' rights are preserved. Notice of annual general meeting is delivered to all shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the procedures for demanding and conducting a poll will be explained by the Chairman. Vote results are posted on the Company's website.

PROCEDURES FOR SHAREHOLDERS TO REQUISITION AND CONVENE AN EXTRAORDINARY GENERAL MEETING (INCLUDING PROPOSING A RESOLUTION AT AN EXTRAORDINARY GENERAL MEETING)

- Any two or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholders") shall at all times have the right, by a written requisition signed by the Eligible Shareholders concerned (the "Requisition"), to require the Board to convene an extraordinary general meeting, and to put any resolution so requisitioned to vote at such extraordinary general meeting.

- Eligible Shareholders who wish to requisition the Board to convene an extraordinary general meeting for the purpose of proposing a resolution at the extraordinary general meeting must deposit the Requisition at the principle place of business of the Company in Hong Kong at Unit 5813, 58th Floor, The Center, 99 Queen's Road Central, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the names of the Eligible Shareholders concerned, specify the objects of the meeting, and be signed by the Eligible Shareholders concerned. The Eligible Shareholders must prove their shareholdings in the Company to the satisfaction of the Company.

- The Company will check the Requisition and the identities and the shareholdings of the Eligible Shareholders will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order and in compliance with the memorandum and articles of association of the Company, the Board will within 21 days of the date of deposit of the Requisition, proceed duly to convene an extraordinary general meeting to be held within a further 21 days, for the purpose of putting any resolution(s) proposed by the Eligible Shareholders to vote at such extraordinary general meeting. However, if the Requisition has been verified as not in order and not in compliance with the memorandum and articles of association of the Company, the Eligible Shareholders concerned will be advised of this outcome and accordingly, the Board will not convene an extraordinary general meeting and will not put any resolution(s) proposed by the Eligible Shareholders to vote at any such extraordinary general meeting or any other general meeting of the Company.

- If within 21 days of the date of deposit of the Requisition, the Board has not advised the Eligible Shareholders that the Requisition is not in order and not in compliance with the memorandum and articles of association of the Company, and the Board has failed to proceed to convene an extraordinary general meeting, the Eligible Shareholders themselves (or any one or more of the Eligible Shareholders who hold(s) more than one-half of the total voting rights of all the Eligible Shareholders who signed the Requisition) may proceed to convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Board in accordance with the memorandum and articles of association of the Company, provided that the extraordinary general meeting so convened must be held before the expiration of 3 months from the date of deposit of the Requisition. All reasonable expenses incurred by the Eligible Shareholders concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholders concerned by the Company.

During the year ended 31 December 2016, there was no change in the constitutional documents of the Company.

INVESTOR RELATIONS OVERVIEW

As a responsible listed company, the Company is committed to maintaining dynamic communications with its shareholders and investors. The Company regularly updates the investors about its latest operations and financial performance through company website, corporate newsletters, site visits, one-on-one meetings, bank conferences and international roadshows.

In 2016, the Company was invited to participate in eight Asian forums and conferences held by various investment banks meeting approximately 500 investors. Investor relations activities are not only helpful in promoting bilateral communications between the Company and the public and acting as an effective channel for information exchange, but also further enhance transparency of the Company in the capital market, thereby improving investors' relationship of the Group

The Company participated in the following major investor relations activities in 2016:

June:	Citi Asia Pacific Property Conference 2016 (Hong Kong)
October:	Gelonghui Overseas Investment Summit Carnival (Shenzhen)
October:	Gelonghui Overseas Investment Summit Carnival (Beijing)
November:	BofAML China Conference 2016 (Beijing)
November:	Citi 11th China Investor Conference 2016 (Macau)
November:	Gelonghui Overseas Investment Summit Carnival (Shanghai)
November:	Nomura Asian High Yield Corporate Day (Hong Kong)
December:	Gelonghui Overseas Investment Summit Carnival (Xiamen)

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number:	+86-21-5175 9999*8301/8322
	+852-2169 1900
By post:	8/F, Powerlong Tower, 1399 Xinzhen Road, Minhang District, Shanghai, China
	Unit 5813, 58/F, The Center, 99 Queen's Road Central, Hong Kong
Attention:	Mr. Fred Tao/Ms. Stella Liu
By email:	ir@powerlong.com

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, property investment, property management services, and other property development related services. Details of the principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out on pages 70 to 166 of this annual report.

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 of the Company (the "Shareholders") at the annual general meeting to be held on Monday, 22 May 2017 (the "Annual General Meeting"). The final dividend, if approved by the 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.

In order to be qualified for the final dividend, 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 Thursday, 25 May 2017.

No interim dividend was paid during the year under review and there is no arrangement that a Shareholder has waived or agreed to waive any dividend.

RESERVES

Details of movement in the reserves of the Group and the Company for the year ended 31 December 2016 are set out in the consolidated statement of changes in equity and in note 38(a) to the consolidated financial statements, respectively.

As at 31 December 2016, the reserves of the Company available for distribution were approximately RMB2,384 million (2015: RMB2,893 million).

SHARE CAPITAL

Details of movements in the share capital of the Group during the year under review are set out in note 17 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights over shares of the Company under the Company's Articles of Association or the laws of Cayman Islands where the Company is incorporated.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 167 to 168 of this annual report.

BORROWINGS

Particulars of borrowings of the Company and the Group as at 31 December 2016 are set out in note 20 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of property and equipment of the Group are set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion of the Group's future business development are set out in the Chairman's Statement on pages 8 to 12 of this annual report. Description of possible risks and uncertainties facing the Company is set out in the Management Discussion and Analysis on pages 25 to 34 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year ended 31 December 2016 are set out in note 40 to the consolidated financial statements.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. Being a property developer and city complex operator in the PRC, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the year under review, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business. The Group reinforces business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner so as to ensure quality and timely delivery.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors

Mr. Hoi Kin Hong (Chairman)
Mr. Hoi Wa Fong (Chief Executive Officer)
Mr. Xiao Qing Ping (Deputy Chief Executive Officer)
Ms. Shih Sze Ni
Mr. Zhang Hong Feng

Non-executive Director

Ms. Hoi Wa Fan

Independent Non-executive Directors

Mr. Ngai Wai Fung
Mr. Mei Jian Ping
Mr. Ding Zu Yu

In accordance with article 16.18 of the Company's Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Hoi Kin Hong, Mr. Ngai Wai Fung and Mr. Mei Jian Ping will retire from their offices as Directors by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming Annual General Meeting.

Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni and Mr. Zhang Hong Feng, the executive Directors and Ms. Hoi Wa Fan, the non-executive Director, have entered into service contracts with the Company for a term of three years commencing from 14 October 2015 to 13 October 2018. Mr. Ngai Wai Fung, Mr. Mei Jian Ping and Mr. Ding Zu Yu, the independent non-executive Directors, have entered into a letter of appointment with the Company for a term of three years commencing from 14 October 2015 to 13 October 2018. None of the Directors, including Directors being proposed for re-election at the forthcoming Annual General Meeting, has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The Remuneration Committee considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular review by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

Details of Directors' remuneration are set out in note 39 to the consolidated financial statements.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

With effective from 1 December 2016, the basic annual Director's fee was changed and are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Director	Amount of Director's fee
Mr. Ngai Wai Fung	HK$300,000
Mr. Mei Jian Ping	HK$300,000
Mr. Ding Zu Yu	HK$300,000

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the note 36 to the consolidated financial statements and in the section headed "Connected Transactions" below, there was no other contract of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, being the Directors, are interested in certain companies engaged in the hotel operation business, which is ancillary to the Company's core business, namely, commercial property development and operation. The hotels operated by such companies are Xiamen Powerlong Hotel and Jinjiang Powerlong Hotel. These two hotels are operated independently and in individual mode different from that of the Group, while the hotels included in the Group's development projects are developed as part of the large-scale and multifunctional commercial complexes. As such, there are no actual or potential competition between these two hotels and the hotels to be included in the Group's development project. Details of Xiamen Powerlong Hotel and Jinjiang Powerlong Hotel are set out in the prospectus of the Company dated 25 September 2009 (the "Prospectus").

Saved as disclosed above, as at 31 December 2016, none of the Directors or their respective associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

Each of Skylong Holdings Limited, Sky Infinity Holdings Limited, Walong Holdings Limited, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan has undertaken to the Company that, subject to the exceptions mentioned in the Prospectus, they will not engage in, and shall procure that their controlled affiliates (other than members of the Company) will not engage in any property development and hotel operation business in China. Details of the deed of non-competition (the "Deed of Non-competition") in favour of the Company are set out in the Prospectus.

The Company has received from Skylong Holdings Limited, Sky Infinity Holdings Limited, Walong Holdings Limited, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan an annual confirmation that it/he/she has fully complied with its/his/her obligations under the Deed of Non-competition.

INDEMNITY AND INSURANCE PROVISIONS

The Articles of Association of the Company provides that every Director shall be entitled to be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses as a result of any act or failure to act in carrying out his/her functions. Such provisions were in force during the course of the financial year ended 31 December 2016 and remained in force as of the date of this report. The Company has also arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

SHARE OPTION SCHEMES

Pursuant to the shareholder's resolutions of the Company on 16 September 2009, the Company has 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 who will contribute and had contributed to the success of the Group's operations.

A. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme:

1. *Purpose of the Share Option Scheme:*
   The Share Option Scheme is established to recognize and acknowledge the Eligible Participants (as defined in paragraph 2 below) for the contributions they had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

   (i) to motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

   (ii) to attract and retain the Eligible Participants or to otherwise maintain on-going business relationship with them whose contributions are or will be beneficial to the long-term growth of the Group.

2. *Participants of the Share Option Scheme:*
   The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of shares of the Company as the Board may determine:

   (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

   (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; or

   (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. *Total number of shares available for issue under the Share Option Scheme and percentage of the number of issued shares as at the date of this annual report:*
   The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 400,000,000 shares (representing approximately 10.01% of the number of issued shares as at the date of the annual report).

4. *Maximum entitlement of each participant under the Share Option Scheme:*
The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time, for this respect, such Eligible Participant and his associates (as defined in the Listing Rules) shall abstain from voting at the meeting.

5. *The period within which the options must be exercised under Share Option Scheme to subscribe for shares:*
An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee but in any event not exceeding 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

6. *The minimum period for which an option must be held before it can be exercised:*
There is no minimum period for which an option granted must be held before it can be exercised unless otherwise imposed by the Directors.

7. *The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid:*
Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per grant.

8. *The basis of determining the exercise price:*
The exercise price is determined by the Board but shall not be less than the higher of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets on the date (which must be a trading day) of grant of options; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of an ordinary share.

9. *The remaining life of the Share Option Scheme:*
The Share Option Scheme will remain in force for a period of 10 years commencing from 16 September 2009.

Since the adoption of the Share Option Scheme and up to 31 December 2016, no options had been granted under the Share Option Scheme.

B. Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme:

1. *Purpose of the Pre-IPO Share Option Scheme:*
The Pre-IPO Share Option Scheme is established to recognize and acknowledge the Pre-IPO Eligible Participants (as defined in paragraph 2 below) for the contributions they had or may have made to the Group. The Pre-IPO Share Option Scheme will provide the Pre-IPO Eligible Participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

   (i) to motivate the Pre-IPO Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

   (ii) to attract and retain the Pre-IPO Eligible Participants or to otherwise maintain business relationship with them whose contributions are or will be beneficial to the long-term growth of the Group.

2. *Participants of the Pre-IPO Share Option Scheme:*
The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Pre-IPO Eligible Participants") to subscribe for such number of shares of the Company as the Board may determine:

   (i) any full-time employees, executives or officers of the Company or any of its subsidiaries;

   (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; or

   (iii) any full-time employees of any subsidiaries of the Company at a manager level or above and other full-time employees of the Company or its subsidiaries who have been in employment with the Group for over 3 years prior to the date of the adoption of the Pre-IPO Share Option Scheme.

3. *Total number of shares available for issue under the Pre-IPO Share Option Scheme and percentage of the number of issued shares as at the date of this annual report:*
The maximum number of shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme shall not in aggregate exceed 40,000,000 shares (representing approximately 1.00% of the number of issued shares as at the date of the annual report).

4. *The period within which the options must be exercised under Pre-IPO Share Option Scheme to subscribe for shares:*

Exercise Period	Number of Options Exercisable
From 16 September 2010 to 15 September 2012	1st batch options, being 20% of the total number of options granted
From 16 September 2011 to 15 September 2013	2nd batch options, being 20% of the total number of options granted
From 16 September 2012 to 15 September 2014	3rd batch options, being 20% of the total number of options granted
From 16 September 2013 to 15 September 2015	4th batch options, being 20% of the total number of options granted
From 16 September 2014 to 15 September 2016	5th batch options, being 20% of the total number of options granted

5. *The minimum period for which an option must be held before it can be exercised:*

Minimum Period	Number of Options Exercisable
12 months from 16 September 2009	1st batch options, up to 20% of the total number of options granted
24 months from 16 September 2009	2nd batch options, up to 20% of the total number of options granted
36 months from 16 September 2009	3rd batch options, up to 20% of the total number of options granted
48 months from 16 September 2009	4th batch options, up to 20% of the total number of options granted
60 months from 16 September 2009	5th batch options, up to 20% of the total number of options granted

6. *The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid:*
Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per grant.

7. *The basis of determining the exercise price:*
The exercise price shall be a price equivalent to a discount of 10% to the offer price under the global offering of the Company's shares.

8. *Movements of the Pre-IPO Share Option Scheme of the Company:*

Category	Exercise Period	Number of share option As at 1 January 2016	Granted during the year	Exercised/ Lapsed/ Cancelled during the year	As at 31 December 2016
Mr. Hoi Kin Hong	16 September 2014 to 15 September 2016	1,400,000	–	(1,400,000)	–
	Total	1,400,000	–	(1,400,000)	0
Mr. Hoi Wa Fong	16 September 2014 to 15 September 2016	440,000	–	(440,000)	–
	Total	440,000	–	(440,000)	0
Mr. Xiao Qing Ping	16 September 2014 to 15 September 2016	360,000	–	(360,000)	–
	Total	360,000	–	(360,000)	0
Ms. Shih Sze Ni	16 September 2014 to 15 September 2016	240,000	–	(240,000)	–
	Total	240,000	–	(240,000)	0
Mr. Zhang Hong Feng	16 September 2014 to 15 September 2016	100,000	–	(100,000)	–
	Total	100,000	–	(100,000)	0
Directors	Total	2,540,000	–	(2,540,000)	0
Employees	16 September 2014 to 15 September 2016	1,848,000	–	(1,848,000)	–
Employees	Total	1,848,000	–	(1,848,000)	0
	Total	4,388,000	–	(4,388,000)	0

As at 15 September 2016, the options granted under the Pre-IPO Share Option Scheme and not exercised within the exercise period have lapsed and ceased to be of further effect. No further options can be granted under the Pre-IPO Share Option Scheme.

SHARE AWARD SCHEME

A share award scheme was adopted by the Board on 2 December 2010 (the "Share Award Scheme") 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. No shares was awarded under the Share Award Scheme during the year under review.

The Share Award Scheme shall be valid and effective for a term of 6 years commencing on the date of adoption. Pursuant to the Share Award Scheme, shares will be acquired by the independent trustee at the cost of the Company and be held in trust for selected employees until the end of each vesting period. Vested shares will be transferred to the selected employees at nil consideration. The total number of shares to be awarded under the Share Award Scheme shall not in aggregate more than 2% of the number of issued shares of the Company as at the date of adoption. Details of the rules of the Share Award Scheme are set out in the announcement of the Company dated 2 December 2010.

On 6 June 2013 and 29 May 2014, a committee established by the Board, comprising members of the Remuneration Committee, the Chairman of the Board and independent non-executive Directors of the Company and delegated with the power and authority by the Board to administer the Share Award Scheme pursuant to the Scheme Rules (the "Executive Committee"), resolved to grant an aggregate of 7,502,000 and 8,958,000 awarded shares (the "Awarded Shares") respectively to the Eligible Employees pursuant to the rules under the Share Award Scheme (the "Scheme Rules"). Please refer to the announcement of the Company dated 6 June 2013 and 29 May 2014 for the details of the grant.

On 27 November 2016, the Board resolved to amend the Scheme Rules for the purpose of extending the trust period of the Share Award Scheme. The Company entered into a deed of variation to the Trust Deed (as defined in the announcement of the Company dated 2 December 2016) 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.

A summary of the Awarded Shares granted to Eligible Employees (including executive Directors)

	No. of Awarded Shares		
Name of Awardees	Granted on 6 June 2013	Granted on 29 May 2014	Total
Mr. Hoi Kin Hong	324,000	662,000	986,000
Mr. Hoi Wa Fong	324,000	462,000	786,000
Mr. Xiao Qing Ping	444,000	367,700	811,700
Ms. Shih Sze Ni	230,000	273,400	503,400
Mr. Zhang Hong Feng	92,000	92,300	184,300
Remaining Awardees who are Eligible Employees (as defined in the Scheme Rules) and are not connected persons(as defined in the Listing Rules) of the Company	3,093,600	4,900,000	7,993,600

50% of the Awarded Shares have been vested in the respective Eligible Employees on 1 July 2016; and the remaining 50% of the Awarded Shares shall vest in the respective Eligible Employees on 1 July 2017.

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, the interests of each Director and chief executive of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in shares and underlying shares of the Company

	Number of ordinary shares				Interests in underlying shares		
Name of Directors	Personal interests	Interests of spouse	Interests of a controlled corporation	Other Interests (Note 1)	Share options (Note 2)	Total	Approximate percentage of interests to the issued share capital of the Company (Note 3)
Mr. Hoi Kin Hong	27,972,000	2,800,000	1,805,637,000 (Note 4)	493,000	–	1,836,902,000	45.95%
Mr. Hoi Wa Fong	8,595,000	503,400	568,400,000 (Note 5)	393,000	–	577,891,400	14.46%
Mr. Xiao Qing Ping	405,850	–	–	405,850	–	811,700	0.02%
Ms. Shih Sze Ni	251,700	577,388,000	–	251,700	–	577,891,400	14.46%
Mr. Zhang Hong Feng	92,150	–	–	92,150	–	184,300	0.01%
Ms. Hoi Wa Fan	–	–	149,480,000 (Note 6)	–	–	149,480,000	3.74%

Notes:

1. These represents the awarded shares granted to the Directors under the Share Award Scheme. Details of the Share Award Scheme have been disclosed in the above section headed "Share Award Scheme".

2. These represents the interests of share options granted to the Directors and/or their respective associate(s) under the Pre-IPO Share Option Scheme. Details of the share options as required by the Listing Rules have been disclosed in the above section headed "Share Option Scheme" and note 18 to the consolidated financial statements.

3. These percentages have been complied based on the total number of issued shares (i.e. 3,997,303,000 shares) as at 31 December 2016.

4. These shares are held by Skylong Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Kin Hong.

5. These shares are held by Sky Infinity Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Wa Fong.

6. These shares are held by Walong Holdings Limited, which is wholly and beneficially owned by Ms. Hoi Wa Fan.

Saved as disclosed above, as at 31 December 2016, none of the Directors, chief executive of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2016, the interests of substantial shareholders in shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares (Note 1)	Approximate percentage of interests in the Company (Note 2)
Mr. Hoi Kin Hong	Personal interests	28,465,000 (Note 3)	45.95%
	Interests of spouse	2,800,000	
	Interests of a controlled corporation	1,805,637,000	
Skylong Holdings Limited	Beneficial owner	1,805,637,000	45.17%
Mr. Hoi Wa Fong	Personal interests	8,988,000 (Note 4)	14.46%
	Interests of spouse	503,400 (Note 5)	
	Interests of a controlled corporation	568,400,000	
Sky Infinity Holdings Limited	Beneficial owner	568,400,000	14.22%
Wason Holdings Limited	Beneficial owner	202,000,000	5.05%

Notes:

1. All the interests represent long positions.

2. These percentages have been complied based on the total number of issued shares (i.e. 3,997,303,000 shares) as at 31 December 2016.

3. These shares represent (i) 27,479,000 shares beneficially owned by Mr. Hoi Kin Hong; (ii) 493,000 awarded shares vested; and (iii) 493,000 awarded shares granted but not yet vested to Mr. Hoi Kin Hong under the Share Award Scheme.

4. These shares represent (i) 8,202,000 shares beneficially owned by Mr. Hoi Wa Fong; and (ii) 393,000 awarded shares vested; and (iii) 393,000 awarded shares granted but not yet vested to Mr. Hoi Wa Fong under the Share Award Scheme.

5. These shares represent (i) 251,700 awarded shares vested; and (ii) 251,700 awarded shares granted but not yet vested to Ms. Shih Sze Ni under the Share Award Scheme.

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 11.25% USD250 million 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 10.75% RMB1,500 million 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 58.7% of the RMB1,500 million 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 4.875% USD200 million 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.

CONNECTED TRANSACTIONS

Certain related party transactions set out in note 36 to the consolidated financial statements also constituted non-exempted connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the connected transactions of the Group during the year under review.

On 1 September 2016, Mrs. Hoi (i.e. Ms. Wong Lai Chan), the spouse of Mr. Hoi Kin Hong, the chairman, executive Director and substantial shareholder of the Company, entered into 4 Sale and Purchase Agreements with various wholly-owned subsidiaries of the Company, pursuant to which the relevant members of the Group agreed to sell and Mrs. Hoi has agreed to purchase (i) two villas and 11 ancillary car park spaces located at Xiamen Powerlong Lakeside Mansions; (ii) certain apartments located at Xiamen Powerlong One Mall; (iii) an apartment located at Shanghai Qingpu Powerlong Plaza; and (iv) a villa located at Hongqiao Powerlong City, at an aggregate consideration of RMB101,709,994. For details of the transaction, please refer to the Company's announcement dated 1 September 2016.

As Mrs. Hoi is the spouse of Mr. Hoi Kin Hong, the chairman, executive Director and substantial shareholder of the Company, Mrs. Hoi is a connected person of the Company. Therefore, the entering into of each of the Sale and Purchase Agreements between Mrs. Hoi and the relevant members of the Group constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

1. Purchase of office equipment from Xiamen Powerlong Information

On 4 September 2008, Fuzhou Powerlong Real Estate Development Co., Ltd. ("Fuzhou Powerlong"), an indirectly wholly-owned subsidiary of the Company, entered into an office equipment purchase agreement with Xiamen Powerlong Information Industry Co., Ltd. ("Xiamen Powerlong Information") (the "Equipment Purchase Agreement"), for a term of three years from 1 January 2009 to 31 December 2011. Pursuant to the Equipment Purchase Agreement, Xiamen Powerlong Information and its subsidiaries would supply office equipment such as printers, photocopiers, computers, fax machines and network severs to the Group. Upon expiry of the term of the Equipment Purchase Agreement, the parties entered into a renewal agreement on 31 December 2011 for an extension of the term to 31 December 2014 (the "2012 Equipment Purchase Agreement") and further entered into a renewal agreement on 24 December 2014 for a further extension of the term to 31 December 2017 (the "2015 Equipment Purchase Agreement). Please refer to the announcements of the Company dated 3 January 2012 and 24 December 2014 for details of the 2012 Equipment Purchase Agreement and the 2015 Equipment Purchase Agreement.

Xiamen Powerlong Information is owned as to 51% by Xiamen Powerlong Group and 49% by Jui Yau International Investments Company Limited ("Jui Yau International"). Xiamen Powerlong Group is indirectly owned as to 88.9% by Mr. Hoi Kin Hong and Jui Yau International is owned as to 24.84% by Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, the respective son and daughter of Mr. Hoi Kin Hong, a substantial shareholder of the Company. Hence, Xiamen Powerlong Information is a connected person of the Company.

Pursuant to the 2015 Equipment Purchase Agreement, it was expected that the transaction amounts payable by the Group for each of the three financial years ending 31 December 2017 will not exceed RMB8,600,000, RMB11,000,000 and RMB14,000,000 respectively. During the year under review, under the 2015 Equipment Purchase Agreement, the total transaction amount incurred in 2016 was RMB2,684,000, which was within the annual cap.

2. Security service agreement with Fujian Ping An

On 1 July 2010, the Company and Fujian Ping An Security Devices and Network Co., Ltd. ("Fujian Ping An") entered into a security service agreement (the "Security Service Agreement") for a term from 1 July 2010 to 31 December 2012. Pursuant to the Security Service Agreement, Fujian Ping An agreed to provide certain security intelligentization system services to the Group. Upon expiry of the term of the Security Service Agreement, the parties entered into a renewal agreement on 28 December 2012 for an extension of the term to 31 December 2015 (the "2013 Security Service Agreement") and further entered into a renewal agreement on 28 December 2015 for a further extension of the term to 31 December 2018 (the "2016 Security Service Agreement"). Details of the Security Service Agreement, 2013 Security Service Agreement and 2016 Security Service Agreement are set out in the announcements of the Company dated 1 July 2010, 28 December 2012 and 28 December 2015 respectively.

Fujian Ping An is a wholly-owned subsidiary of Xiamen Powerlong Information, a company which is owned as to 51% by Xiamen Powerlong Group and 49% by Jui Yau International. Xiamen Powerlong Group is indirectly owned as to 88.9% by Mr. Hoi Kin Hong and Jui Yau International is owned as to 24.84% by Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, the respective son and daughter of Mr. Hoi Kin Hong, a substantial shareholder of the Company. Hence, Fujian Ping An is a connected person of the Company.

Pursuant to the 2016 Security Service Agreement, it was expected that the transaction amounts payable by the Group for each of the three financial years ending 31 December 2018 will not exceed RMB100,000,000, RMB120,000,000 and RMB140,000,000. During the year under review, under the 2016 Security Service Agreement, the total transaction amount incurred in 2016 was RMB52,892,000, which was within the annual cap.

Pursuant to Rule 14A.55, the independent non-executive Directors confirmed that the aforesaid continuing connected transactions have been entered into: (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing the respective transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 20 May 2016, the Company as borrower and certain of its subsidiaries as guarantors entered into a facility agreement (the "Facility Agreement") with Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited and Wing Lung Bank, Limited (collectively, the "Lenders") in relation to a 3-year term loan facility of US$120,000,000 at an interest rate of London Interbank Offered Rate plus 4% (the "Term Loan Facility"). Pursuant to the Facility Agreement, it is an event of default if (i) Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, does not, or ceases to hold legally and beneficially and directly or indirectly 40% or more of all classes of the equity interests of the Company carrying any entitlement to vote; and/or (ii) Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, does not, or ceases to directly or indirectly control the Company and/or (iii) Mr. Hoi Kin Hong or Mr. Hoi Wa Fong is not, or ceases to be, chairman of the board of directors of the Company. For details of the Term Loan Facility, please refer to the Company's announcement dated 20 May 2016.

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. During the year ended 31 December 2016, the Company has complied with all applicable code provisions in Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 40 to 49 of this annual report.

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 annual report, the Company has maintained a sufficient public float of more than 25% of the Company's total number of issued shares as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales, and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

None of the Directors, their close associates (as defined in the Listing Rules) or any shareholder (who to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in any of the five largest suppliers of the Group.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2016 amounted to RMB70,027,000 (2015: RMB30,038,000).

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers 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.

On behalf of the Board

Hoi Kin Hong
Chairman

Hong Kong, 20 March 2017

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Powerlong Real Estate Holdings Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 166, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flow for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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KEY AUDIT MATTERS

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

Key audit matter identified in our audit is summarised as follows:

- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to notes 4 and 8 to the consolidated financial statements The Group's investment properties are stated at fair value. As at 31 December 2016, the Group's investment properties amounted to RMB34.4 billion, which represents 43% of the Group's total assets, and the fair value gains on investment properties for the year ended 31 December 2016 amounted to RMB1.5 billion. Independent external valuations were obtained for the Groups' investment properties (including completed and under construction) in order to support management's estimates. The valuations of investment properties are dependent on certain key assumptions that require significant management judgement, including term yields and reversionary yields, fair market rents and fair market prices. The valuations of investment properties under construction are also dependent upon the estimated costs to complete. We paid significant attention to this area due to the material balances of investment properties to the consolidated financial statements of the Group and there is critical judgement involved in determining the critical assumptions and estimates used in the valuations.	Our procedures in relation to management's valuation of investment properties included: (i) We evaluated the competence, capabilities and objectivity of the independent external valuer; (ii) We used our internal valuation specialist in assessing the appropriateness of methodologies used and the reasonableness of the key assumptions applied in the valuations, including term yields and reversionary yields, fair market rents and fair market prices. We agreed the term yields, reversionary yields, market rents and market prices used in the valuations to our internally developed benchmarks, which are based on our recent experience and market research in the locations and segments of the Group's investment properties. We have also conducted a sensitivity analysis over the key assumptions; (iii) We checked the accuracy and relevance of the input data used in the valuations; (iv) For investment properties under construction, we assessed the reasonableness of management's estimates of costs to complete by checking the total budgeted construction costs against the signed contracts with vendors and actual construction costs of similar properties and testing the actual costs incurred up to date. We found the key assumptions used in the valuation of investment properties were supported by the available evidences.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ho, Chiu Yin, Ivan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2017

Consolidated Balance Sheet

	Note	31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	2,797,942	2,354,664
Land use rights	7	1,050,746	1,033,527
Investment properties	8	34,353,397	28,370,318
Investments accounted for using the equity method	14	2,605,100	1,523,949
Deferred income tax assets	22	359,998	394,724
Available-for-sale financial assets	13	413,250	318,000
Prepayments	12	724,667	407,880
		42,305,100	34,403,062
Current assets			
Properties under development	9	8,940,371	13,010,714
Completed properties held for sale	10	11,302,986	9,086,095
Trade and other receivables	11	4,568,119	2,392,543
Prepayments	12	1,417,199	671,529
Prepaid taxes		418,440	356,048
Available-for-sale financial assets	13	–	16,491
Financial assets at fair value through profit or loss		27,003	–
Restricted cash	15	1,174,497	1,085,889
Cash and cash equivalents	16	8,973,804	5,639,843
		36,822,419	32,259,152
Total assets		79,127,519	66,662,214
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	17	2,683,046	2,979,696
Other reserves	18	654,900	656,386
Retained earnings		19,280,371	16,808,903
		22,618,317	20,444,985
Perpetual Capital Instruments	19	1,730,075	1,305,161
Non-controlling interests		1,591,857	1,008,383
Total equity		25,940,249	22,758,529

	Note	31 December 2016 RMB'000	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	22,490,090	16,635,538
Deferred income tax liabilities	22	4,041,526	3,685,327
Derivative financial instruments	21	–	170,907
		26,531,616	20,491,772
Current liabilities			
Trade and other payables	23	11,234,343	9,950,897
Advances from customers		4,073,472	4,563,340
Current income tax liabilities	24	3,701,501	2,815,776
Borrowings	20	7,536,083	6,010,951
Derivative financial instruments	21	110,255	70,949
		26,655,654	23,411,913
Total liabilities		53,187,270	43,903,685
Total equity and liabilities		79,127,519	66,662,214

The financial statements on pages 70 to 166 were approved by the Board of Directors on 20 March 2017 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

The notes on pages 76 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue	5	**14,295,617**	11,907,300
Cost of sales	25	**(9,517,476)**	(7,985,447)
Gross profit		**4,778,141**	3,921,853
Fair value gains on investment properties – net	8	**1,519,884**	1,503,628
Selling and marketing costs	25	**(480,839)**	(486,118)
Administrative expenses	25	**(756,913)**	(735,212)
Other gains/(losses) – net	27	**9,857**	(140,586)
Exchange gains/(losses) – net	28	**2,343**	(9,178)
Operating profit		**5,072,473**	4,054,387
Finance costs – net	29	**(678,968)**	(364,189)
Share of profit of investments accounted for using the equity method	14	**314,295**	157,659
Profit before income tax		**4,707,800**	3,847,857
Income tax expenses	30	**(1,958,596)**	(1,512,768)
Profit for the year		**2,749,204**	2,335,089
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax	18	**11,180**	8,549
Total other comprehensive income for the year, net of tax		**11,180**	8,549
Total comprehensive income for the year		**2,760,384**	2,343,638
Profit attributable to:			
Owners of the Company		**2,464,682**	2,071,110
Holders of Perpetual Capital Instruments		**145,765**	153,100
Non-controlling interests		**138,757**	110,879
		2,749,204	2,335,089
Total comprehensive income attributable to:			
Owners of the Company		**2,475,862**	2,079,659
Holders of Perpetual Capital Instruments		**145,765**	153,100
Non-controlling interests		**138,757**	110,879
		2,760,384	2,343,638
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)	31		
– Basic		**62.321**	52.408
– Diluted		**62.220**	52.319

The notes on pages 76 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 17)	Other reserves RMB'000 (Note 18)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 19)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2016							
Balance at 1 January 2016	2,979,696	656,386	16,808,903	20,444,985	1,305,161	1,008,383	22,758,529
Comprehensive income:							
Profit for the year	–	–	2,464,682	2,464,682	145,765	138,757	2,749,204
Other comprehensive income for the year	–	11,180	–	11,180	–	–	11,180
Total comprehensive income for the year	–	11,180	2,464,682	2,475,862	145,765	138,757	2,760,384
Transactions with owners:							
Dividends	(305,376)	–	–	(305,376)	–	(17,649)	(323,025)
Pre-IPO Share Option Scheme							
– Expiry of share option	–	(7,734)	7,734	–	–	–	–
Share Award Scheme:							
– Value of employee services	–	2,778	–	2,778	–	–	2,778
– Vesting of awarded shares	8,726	(8,726)	–	–	–	–	–
Issuance of Perpetual Capital Instruments	–	–	–	–	1,000,000	–	1,000,000
Redemption of Perpetual Capital Instruments	–	–	–	–	(600,000)	–	(600,000)
Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(120,851)	–	(120,851)
Capital contribution from non-controlling interests	–	–	–	–	–	462,366	462,366
Disposal of available-for-sale financial assets	–	68	–	68	–	–	68
Total transactions with owners	(296,650)	(13,614)	7,734	(302,530)	279,149	444,717	421,336
Appropriation to statutory reserves	–	948	(948)	–	–	–	–
Balance at 31 December 2016	2,683,046	654,900	19,280,371	22,618,317	1,730,075	1,591,857	25,940,249

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 17)	Other reserves RMB'000 (Note 18)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 19)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2015							
Balance at 1 January 2015	2,979,696	664,827	14,965,316	18,609,839	1,302,139	697,504	20,609,482
Comprehensive income:							
Profit for the year	–	–	2,071,110	2,071,110	153,100	110,879	2,335,089
Other comprehensive income for the year	–	8,549	–	8,549	–	–	8,549
Total comprehensive income for the year	–	8,549	2,071,110	2,079,659	153,100	110,879	2,343,638
Transactions with owners:							
Dividends	–	–	(249,414)	(249,414)	–	–	(249,414)
Pre-IPO Share Option Scheme – Expiry of share option	–	(38,055)	38,055	–	–	–	–
Share Award Scheme – Value of employee services	–	4,901	–	4,901	–	–	4,901
Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(150,078)	–	(150,078)
Capital contribution from non-controlling interests	–	–	–	–	–	200,000	200,000
Total transactions with owners	–	(33,154)	(211,359)	(244,513)	(150,078)	200,000	(194,591)
Appropriation to statutory reserves	–	16,164	(16,164)	–	–	–	–
Balance at 31 December 2015	2,979,696	656,386	16,808,903	20,444,985	1,305,161	1,008,383	22,758,529

The notes on pages 76 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations	33	**3,479,645**	2,753,544
PRC corporate income tax paid		**(443,839)**	(307,506)
PRC land appreciation tax paid		**(301,159)**	(361,408)
Interest paid		**(1,364,745)**	(1,592,152)
Cash generated from operating activities – net		**1,369,902**	492,478
Cash flows from investing activities			
Purchases of property and equipment		**(471,512)**	(337,815)
Purchases of land use rights		**(45,410)**	(259,559)
Payments for construction of investment properties		**(2,413,638)**	(768,375)
Proceeds from disposal of equipment		**409**	161
Purchases of available-for-sale financial assets		**(80,000)**	(307,200)
Prepayments for equity investments		**(724,667)**	(407,880)
Investments in joint ventures and associates		**(370,233)**	–
Proceeds from disposal of investment properties		**24,948**	–
Disposal of available-for-sale financial assets		**16,233**	–
Cash advances made to related parties		**(946,817)**	–
Acquisition of a subsidiary		**–**	(146,997)
Repayments of cash advances by related parties		**–**	10,285
Cash used in investing activities – net		**(5,010,687)**	(2,217,380)
Cash flows from financing activities			
Capital injection by non-controlling interests		**462,366**	200,000
Proceeds from borrowings		**25,684,374**	14,070,423
Repayments of borrowings		**(16,377,590)**	(10,750,772)
Redemption of senior notes		**(2,659,573)**	–
Settlement of derivative financial instruments		**(154,610)**	–
Increase in guarantee deposits		**(55,905)**	(446,136)
Cash advances from related parties		**1,635,540**	1,107,634
Repayments of cash advances to related parties		**(1,527,066)**	(779,246)
Distribution to the holders of Perpetual Capital Instruments		**(120,851)**	(150,078)
Dividends paid to owners of the Company		**(305,376)**	(249,414)
Dividends paid to non-controlling interests		**(17,649)**	–
Redemption of Perpetual Capital Instruments		**(600,000)**	–
Proceeds from issuance of Perpetual Capital Instruments		**1,000,000**	–
Cash generated from financing activities – net		**6,963,660**	3,002,411
Net increase in cash and cash equivalents		**3,322,875**	1,277,509
Cash and cash equivalents at beginning of the year	16	**5,639,843**	4,345,757
Effect of foreign exchange rate changes		**11,086**	16,577
Cash and cash equivalents at end of the year	16	**8,973,804**	5,639,843

The notes on pages 76 to 166 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 July 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal activity is investment holding. The Company and its subsidiaries (together, the "Group") is principally engaged in property development, property investment, property management, and other property development related services in the People's Republic of China (the "PRC").

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 14 October 2009.

These financial statements have been approved for issue by the board of directors (the "Board") of the Company on 20 March 2017.

These financial statements are presented on Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in all the years presented, unless otherwise stated.

2.1 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(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 (Note (i))	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

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out in Note (i).

(i) *HKFRS 15, 'Revenue from contracts with customers'*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) *New and amended standards not yet adopted (continued)*

(i) HKFRS 15, 'Revenue from contracts with customers' (continued)

Rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

2.2 Subsidiaries

2.2.1 *Consolidation*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Gain or losses on dilution of equity interest in associates are recognised in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(b) *Transactions and balances (continued)*

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance costs – net". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "Exchange gains/(losses) – net".

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) *Group entities*

The results and financial positions of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;

- income and expenses for each consolidated statement of comprehensive income of the group entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20-40 years
Motor vehicles	4-5 years
Furniture, fitting and equipment	3-25 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses) – net" in the consolidated statement of comprehensive income.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

2.8 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property (continued)

After initial recognition, investment property is carried at fair value, representing open market value determined at each balance sheet date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as "fair value gains on investment properties – net" in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property (continued)

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

Completed properties held for sale are transferred to investment properties when it is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and changed directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

2.10.1 Classification (continued)

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The loans and receivables comprise "trade and other receivables", "amounts due from related parties", "restricted cash" and "cash and cash equivalents" in the balance sheet (Note 2.14 and Note 2.15).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(d) *Derivatives*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of comprehensive income within "Other gains/(losses) – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

2.10.2 Recognition and measurement (continued)

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income within "Other gains/(losses) – net".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets (continued)

(b) *Assets classified as available for sale*

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.13 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises cost of land use rights, construction costs, borrowing costs on qualifying assets, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents and restricted cash

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in "restricted cash". Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to owners of the Company.

2.17 Perpetual capital instruments

Perpetual capital instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings and borrowing costs (continued)

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax (continued)

(b) *Deferred income tax (continued)*

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

(a) *Retirement benefits*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (continued)

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.22 Share-based payments

(a) *Equity-settled share-based payment transactions*

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

(b) *Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sales of properties and services income, stated net of discounts returns, value added tax and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probably that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

(a) *Sales of properties*

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as "advances from customers" under current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (continued)

(b) *Rental income*
Rental income of property leasing under operating leases is recognised on a straight-line basis over the term of the lease.

(c) *Property management*
Revenue arising from property management is recognised in the accounting period in which the services are rendered.

(d) *Hotel operations*
Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the goods are delivered and services are rendered.

(e) *Retail sales*
Commission income from concessionaire sales is recognised upon sales of goods by the relevant stores.

2.25 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.26 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Group is the lessee
Payments made under operating leases (net of any incentives received from the lessor), are charged to the profit or loss on a straight-line basis over the period of the lease.

The Group is the lessor
When assets are leased out under an operating lease, the assets are included in the consolidated balance sheet based on the nature of the assets. Lease income is recognised in the profit or loss on a straight-line basis over the period of the lease.

2.28 Dividend distribution

Dividend distribution to the owners of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 Financial Instrument: Recognition and Measurement are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factor

(a) Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. As at 31 December 2016, major non-RMB assets and liabilities are cash and cash equivalents, restricted cash, financial assets at fair value through profit or loss, other payables and borrowings, which are dominated in Hong Kong dollar ("HK$") or US dollar ("US$"). Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Financial assets		
– HK$	**161,929**	70,174
– US$	**341,701**	507,771
	503,630	577,945
Financial liabilities		
– HK$	**270,733**	1,272,142
– US$	**3,571,656**	5,297,468
	3,842,389	6,569,610

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated financial items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% strengthened/weakened in RMB against the relevant currencies, the effect of post tax profit and net asset for the year is as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Increase/(decrease) in profit for the year:		
5% strengthened in RMB against the relevant currencies		
– HK$	**5,440**	60,098
– US$	**161,498**	239,485
	166,938	299,583
5% weakened in RMB against the relevant currencies		
– HK$	**(5,440)**	(60,098)
– US$	**(161,498)**	(239,485)
	(166,938)	(299,583)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at variable rates expose the Group to cash flows interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at 31 December 2016, long-term borrowings of the Group bearing floating interest rates amounted to approximately RMB7,836,284,000 (2015: RMB8,918,699,000). If interest rates on borrowings at floating rates as at 31 December 2016 had been 50 basis point higher/lower with all other variables held constant, interest charges for the year would increase/decrease by RMB39,181,000 (2015: RMB44,593,000), most of which have been capitalised in qualified assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) ***Credit risk***

The Group has no concentrations on credit risk. Cash transactions are limited to high-credit-quality institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance, and guarantees provided to third parties. The Group's exposure to credit risk arising from trade and other receivables is set out in Note 11.

For banks and financial institutions, only those with sound credit ratings are accepted. The receivables from related parties are companies owned by the same ultimate shareholder of the Group of which the possibility of bad debt is low.

For trade receivables arisen from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 34.

For trade receivables arisen from lease of properties, the Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, and the Group monitors the credit quality of receivables on an ongoing basis. Deposits may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract. The Group also regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

(c) ***Liquidity risk***

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities, short-term and long-term borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. Trade and other payables due within 12 months equal their carrying balances, as the impact of discounting is not significant. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2016					
Borrowings (Note a)	9,266,321	6,537,200	14,366,486	5,604,995	35,775,002
Trade and other payables (Note b)	10,790,496	–	–	–	10,790,496
Derivative financial instruments	110,255	–	–	–	110,255
Guarantees for borrowings of joint ventures	2,408,005	–	–	–	2,408,005
Financial guarantee for mortgage loans (Note c)	9,290,180	–	–	–	9,290,180
	31,865,257	6,537,200	14,366,486	5,604,995	58,373,938

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2015					
Borrowings (Note a)	8,444,943	7,836,811	8,771,097	1,391,511	26,444,362
Trade and other payables (Note b)	9,724,085	–	–	–	9,724,085
Derivative financial instruments	70,949	170,907	–	–	241,856
Guarantees for borrowings of joint ventures	2,275,413	–	–	–	2,275,413
Financial guarantee for mortgage loans (Note c)	8,062,268	–	–	–	8,062,268
	28,577,658	8,007,718	8,771,097	1,391,511	46,747,984

Note:

a. Interest on borrowings is calculated on borrowings held as at 31 December 2016 and 2015. Floating-rate interest is estimated using the current interest rate as at 31 December 2016 and 2015 respectively.

b. It represents payables excluding salaries payables and other taxes payables.

c. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments (Note 34).

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents (Note 16) and less guarantee deposits for bank borrowings included in restricted cash (Note 15(c)). Total borrowings comprise senior notes, corporate bonds, bank borrowings and other borrowings (Note 20). Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2016 and 2015 are as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Total borrowings (Note 20)	**30,026,173**	22,646,489
Less: cash and cash equivalents (Note 16)	**(8,973,804)**	(5,639,843)
Less: guarantee deposits for bank borrowings (Note 15(c))	**(637,064)**	(581,159)
Net debt	**20,415,305**	16,425,487
Total equity	**25,940,249**	22,758,529
Total capital	**46,355,554**	39,184,016
Gearing ratio	**44.0%**	41.9%

The increase in the gearing ratio during 2016 resulted primarily from the additional bank and other borrowings.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2016 and 2015. See Note 8 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2016				
Financial assets:				
Financial assets at fair value through profit or loss	**27,003**	**–**	**–**	**27,003**
Available-for-sale financial assets (Note 13)	**–**	**–**	**413,250**	**413,250**
Total	**27,003**	**–**	**413,250**	**440,253**
Financial liabilities:				
Derivative financial instruments (Note 21)	**–**	**110,255**	**–**	**110,255**
At 31 December 2015				
Financial assets:				
Available-for-sale financial assets (Note 13)	–	–	334,491	334,491
Financial liabilities:				
Derivative financial instruments (Note 21)	–	241,856	–	241,856

There were no transfers between levels during the year.

(a) Financial instruments in level 1

As at 31 December 2016, the fair value of the Group's financial assets at fair value through profit or loss are listed securities in Hong Kong, is based on their quoted market prices at the balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These financial assets at fair value through profit or loss are included in level 1. The quoted market price used for financial assets held by the Group is the current bid price.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(c) Financial instruments in level 3

The fair value of financial instrument included in level 3 is disclosed in Note 13.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing these consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC land appreciation taxes calculation and payments with most of local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Fair value of investment properties

The Group assesses the fair value of its completed investment properties and investment properties under construction based on assessments determined by an independent and professional qualified valuer.

The best evidence of fair value of completed investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Investment properties under construction are carried at fair value when is considered to be reliably measurable. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers certain factors, please refer to Note 2.8.

Management, after consulting independent qualified valuer, considers that the fair value of investment properties under construction as at 31 December 2016 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2016 were measured at fair value.

The fair value gains from completed investment properties and investment properties under construction are disclosed in Note 8.

5 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:

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

5 SEGMENT INFORMATION (CONTINUED)

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	12,530,000	599,626	791,145	374,846	–	14,295,617
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 (Note 14)						314,295
Unallocated operating costs						(340,847)
Finance costs – net (Note 29)						(678,968)
Profit before income tax						4,707,800
Income tax expenses						(1,958,596)
Profit for the year						2,749,204
Depreciation (Note 6)	11,926	–	6,813	116,889	–	135,628
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	22,694	–	22,694
Fair value gains on investment properties – net (Note 8)	–	1,519,884	–	–	–	1,519,884

5 SEGMENT INFORMATION (CONTINUED)

The segment results and other segment items included in the profit for the year ended 31 December 2015 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	10,480,514	552,096	622,067	325,660	–	11,980,337
Inter-segment revenue	–	–	(73,037)	–	–	(73,037)
Revenue	10,480,514	552,096	549,030	325,660	–	11,907,300
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 (Note 14)						157,659
Unallocated operating costs						(315,785)
Finance costs – net (Note 29)						(364,189)
Profit before income tax						3,847,857
Income tax expenses						(1,512,768)
Profit for the year						2,335,089
Depreciation (Note 6)	11,030	–	5,838	116,401	–	133,269
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	22,853	–	22,853
Fair value gains on investment properties – net (Note 8)	–	1,503,628	–	–	–	1,503,628

5 SEGMENT INFORMATION (CONTINUED)

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 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
Interests in joint ventures						2,276,948
Interests in associates						328,152

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

5 SEGMENT INFORMATION (CONTINUED)

Segment assets are reconciled to total assets as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Segment assets	**72,091,648**	61,688,973
Other assets		
– Prepaid taxes	**418,440**	356,048
– Deferred income tax assets	**359,998**	394,724
– Unallocated cash and cash equivalents and restricted cash	**4,552,227**	3,431,264
– Other receivables from related parties (Note 36(d))	**1,235,468**	288,651
– Unallocated property and equipment	**80,185**	80,692
– Other corporate assets	**6,303**	87,371
– Available-for-sale financial assets (Note 13)	**413,250**	334,491
Total assets	**79,127,519**	66,662,214

Segment liabilities are reconciled to total liabilities as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Segment liabilities	**11,854,665**	11,260,044
Other liabilities		
– Current income tax liabilities	**3,701,501**	2,815,776
– Deferred income tax liabilities	**4,041,526**	3,685,327
– Current borrowings	**7,536,083**	6,010,951
– Non-current borrowings	**22,490,090**	16,635,538
– Other payables to related parties (Note 36(d))	**3,097,696**	2,995,850
– Other corporate liabilities	**465,709**	500,199
Total liabilities	**53,187,270**	43,903,685

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.

5 SEGMENT INFORMATION (CONTINUED)

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 (Note 6), land use rights (Note 7) and investment properties (Note 8).

6 PROPERTY AND EQUIPMENT

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
Year ended 31 December 2016					
Opening net book amount	788,774	1,401,676	18,552	145,662	2,354,664
Additions	500,214	45,435	5,571	28,095	579,315
Transfers	(842,884)	842,884	-	-	-
Disposals	-	-	(88)	(321)	(409)
Depreciation	-	(97,313)	(6,549)	(31,766)	(135,628)
Closing net book amount	446,104	2,192,682	17,486	141,670	2,797,942
At 31 December 2016					
Cost	446,104	2,581,716	80,114	324,219	3,432,153
Accumulated depreciation	-	(389,034)	(62,628)	(182,549)	(634,211)
Net book amount	446,104	2,192,682	17,486	141,670	2,797,942
Year ended 31 December 2015					
Opening net book amount	688,541	1,035,446	20,261	154,418	1,898,666
Additions	480,920	76,848	7,537	24,123	589,428
Transfers	(380,687)	380,687	–	–	–
Disposals	–	–	(8)	(153)	(161)
Depreciation	–	(91,305)	(9,238)	(32,726)	(133,269)
Closing net book amount	788,774	1,401,676	18,552	145,662	2,354,664
At 31 December 2015					
Cost	788,774	1,691,002	74,930	313,013	2,867,719
Accumulated depreciation	–	(289,326)	(56,378)	(167,351)	(513,055)
Net book amount	788,774	1,401,676	18,552	145,662	2,354,664

6 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charges were included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
Cost of sales	**90,915**	92,071
Selling and marketing costs	**2,651**	2,466
Administrative expenses	**42,062**	38,732
	135,628	133,269

As at 31 December 2016, property and equipment with a net book amount RMB1,252,754,000 (2015: RMB1,210,971,000), were pledged as collateral for the Group's borrowings (Note 20).

Borrowing costs of RMB78,488,000 (2015: RMB136,156,000) have been capitalised in assets under construction for the year ended 31 December 2016.

The capitalisation rate of borrowings for the year ended 31 December 2016 was 5.96% (2015: 7.52%).

7 LAND USE RIGHTS

	Year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
Opening net book amount	**1,033,527**	797,138
Additions	**39,913**	259,242
Amortisation charges	**(22,694)**	(22,853)
Ending net book amount	**1,050,746**	1,033,527

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

As at 31 December 2016, land use rights of RMB756,337,000 (2015: RMB683,081,000) were pledged as collateral for the Group's borrowings (Note 20).

8 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2016			
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)**
	31,157,718	**3,195,679**	**34,353,397**
Year ended 31 December 2015			
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
At 31 December 2015	22,286,985	6,083,333	28,370,318

The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Rental income (Note 5)	**599,626**	552,096
Direct operating expenses arising from investment properties that generate rental income	**(144,274)**	(124,535)
Direct operating expenses arising from investment properties that do not generate rental income	**(62,614)**	(27,081)

Investment properties as at 31 December 2016 are held in the PRC on leases between 10 to 50 years (2015: same).

Borrowing costs of RMB498,410,000 (2015: RMB406,711,000) have been capitalised in investment properties under construction for the year ended 31 December 2016. The capitalisation rate of borrowings for the year ended 31 December 2016 was 5.96% (2015: 7.52%).

As at 31 December 2016, investment properties of RMB18,762,442,000 (2015: RMB18,611,386,000) were pledged as collateral for the Group's borrowings (Note 20).

8 INVESTMENT PROPERTIES (CONTINUED)

Investment properties are mainly shopping malls located in Henan Province, Fujian Province, Shandong Province, Jiangsu Province, Anhui Province, Zhejiang Province, Shanghai, Chongqing and Tianjin. The fair value of the investment properties are expected to be realised through rental income. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

(i) Fair value hierarchy

An independent valuation of the Group's certain completed investment properties and investment properties under construction was performed by the independent and professionally qualified valuer, to determine the fair value of the investment properties as at 31 December 2016. The revaluation gains or losses are included in "Fair value gains on investment properties – net" in the statement of comprehensive income.

As at 31 December 2016, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy (Note 2.8).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers in or out of fair value hierarchy levels during the year.

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2016 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's reporting date.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques

Completed investment properties comprise of commercial properties and carparks. For commercial properties, fair values are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For carparks, valuations are determined using the direct comparison methods. The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the selling price such as property size, locations.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

There were no changes to the valuation techniques during the year.

	Property Category	Fair value at 31 December 2016 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	29,404,307	Term and reversionary method	Term yields	3.5%-7.5%	The higher the term yields, the lower the fair value
				Reversionary yields	5%-8%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/month)	70-346	The higher the market rents, the higher the fair value
	Car parks	1,753,411	Direct comparison	Market price (RMB/per car park)	50,000-220,000	The higher the market price, the higher the fair value
Investment properties under construction	Commercial properties	3,181,779	Residual method	Market rents (RMB/square meter/ month)	102-157	The higher the market rents, the higher the fair value
				Reversionary yields	5.5%-6.5%	The higher the market yields, the lower the fair value
				Budgeted construction costs to be incurred (RMB/sq.m.)	2,536-3,994	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	10%-15%	The higher the developer's profit, the lower the fair value
	Car parks	13,900	Residual method	Market price (RMB/per car park)	43,800-180,000	The higher the market price, the higher the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	2,511	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	15%	The higher the developer's profit, the lower the fair value

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

	Property Category	Fair value at 31 December 2015 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	21,647,761	Term and reversionary method	Term yields	3.5%-7.5%	The higher the term yields, the lower the fair value
				Reversionary yields	5%-8%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/month)	70-346	The higher the market rents, the higher the fair value
	Car parks	639,224	Direct comparison	Market price (RMB/per car park)	62,000-150,000	The higher the market price, the higher the fair value
Investment properties under construction	Commercial properties	6,083,333	Residual method	Market rents (RMB/square meter/ month)	92-210	The higher the market rents, the higher the fair value
				Reversionary yields	5.5%-7%	The higher the market yields, the lower the fair value
				Budgeted construction costs to be incurred (RMB/sq.m.)	1,683-3,568	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	10%-20%	The higher the developer's profit, the lower the fair value

There are inter-relationships between unobservable inputs. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

9 PROPERTIES UNDER DEVELOPMENT

	31 December	
	2016	2015
	RMB'000	RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	**2,378,562**	4,613,516
– Interests capitalised	**1,855,739**	2,142,268
– Land use rights	**4,706,070**	6,254,930
	8,940,371	13,010,714
Land use rights:		
Outside Hong Kong, held on leases of:		
– Over 50 years	**1,469,071**	1,081,925
– Between 10 to 50 years	**3,236,999**	5,173,005
	4,706,070	6,254,930

The properties under development are all located in the PRC and expected to be completed within an operating cycle, most of which are expected to be completed within 12 months.

As at 31 December 2016, properties under development of approximately RMB3,522,892,000 (2015: RMB3,765,840,000) were pledged as collateral for the Group's borrowings (Note 20).

The capitalisation rate of borrowings for the year ended 31 December 2016 was 5.96% (2015: 7.52%).

10 COMPLETED PROPERTIES HELD FOR SALE

The completed properties held for sale are all located in the PRC.

As at 31 December 2016, completed properties held for sale of approximately RMB2,188,895,000 (2015: RMB2,919,939,000) were pledged as collateral for the Group's borrowings (Note 20).

During the year of 2016, completed properties held for sale of approximately RMB1,490,279,000 were transferred to completed investment properties (Note 8).

11 TRADE AND OTHER RECEIVABLES

	31 December 2016 RMB'000	31 December 2015 RMB'000
Trade receivables – third parties (Note (a))	**1,518,093**	1,213,454
Less: provision for impairment of trade receivables (Note (a))	**(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 (Note 36(d))	**1,235,468**	288,651
– Third parties (Note (c))	**1,320,893**	738,003
	4,568,119	2,392,543

(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.

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

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Within 180 days	**28,737**	57,349
180 days to 365 days	**8,093**	43,884
Over 365 days	**14,579**	14,143
	51,409	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.

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (continued)

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:

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

(b) As at 31 December 2016 and 2015, the fair value of trade and other receivables approximated their carrying amounts.

(c) Trade and other receivables are interest free. The Group's trade and other receivables are denominated in RMB. Other receivables from third parties mainly consist of the deposits for construction projects and payments on behalf of property owners and tenants. Except for those disclosed in Note 11(a), no material trade and other receivables were impaired or past due as at 31 December 2016 and 2015.

(d) The maximum exposure to credit risk of the trade and other receivables at the reporting date was the carrying value of each class of receivables.

12 PREPAYMENTS

	31 December	
	2016 RMB'000	2015 RMB'000
Current portion		
Acquisition of land use rights (Note (a))	**1,356,043**	573,494
Construction materials – third parties	**61,156**	98,035
	1,417,199	671,529
Non-current portion		
Investments in property development projects	**724,667**	407,880
	2,141,866	1,079,409

12 PREPAYMENTS (CONTINUED)

(a) Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts. The land acquisition costs which are contracted but not provided for are included in commitments (Note 35(a)).

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
Opening amounts as at 1 January	**334,491**	16,042
Additions	**80,000**	307,200
Revaluation gains – net	**14,993**	11,249
Disposals	**(16,234)**	–
Closing amounts as at 31 December	**413,250**	334,491

Available-for-sale financial assets include the following:

	31 December	
	2016 **RMB'000**	2015 RMB'000
Non-current unlisted securities:		
– Unlisted insurance company (Note (a))	**333,250**	318,000
– Unlisted real estate agency company (Note (b))	**80,000**	–
	413,250	318,000
Current unlisted securities:		
– Unlisted private trust fund denominated in HK$	**–**	16,491
	413,250	334,491

(a) In 2015, the Group invested a total sum of RMB307,200,000 in an unlisted insurance company in the PRC for its 5% equity interest. As at 31 December 2016, the fair value of this 5% equity interest was derived by using the income approach based on present value techniques.

(b) In 2016, the Group invested in an unlisted real estate agency company in the PRC. The investment is denominated in RMB with an initial cost of RMB80,000,000.

These financial assets were not past due or impaired as of 31 December 2016 and 2015.

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	31 December	
	2016 RMB'000	2015 RMB'000
Non-current portion:		
Investments in joint ventures	**2,276,948**	1,488,849
Investments in associates	**328,152**	35,100
	2,605,100	1,523,949
Current portion (Note 36(d)):		
Amounts due to joint ventures	**(2,817,951)**	(2,248,992)
Amounts due from joint ventures	**1,082,578**	267,275
Amounts due to associates	**(91,350)**	(32,534)
Amounts due from associates	**131,514**	–
	(1,695,209)	(2,014,251)

Amounts due to associates and joint ventures are unsecured and interest-free.

The profit/(loss) recognised in the statement of comprehensive income are as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Joint ventures (Note (a))	**323,740**	158,738
Associates (Note (b))	**(9,445)**	(1,079)
	314,295	157,659

(a) Joint ventures

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
At 1 January	**1,488,849**	1,512,375
Additions	**475,612**	–
Share of profits – net	**323,740**	158,738
Transfer to a subsidiary	**–**	(174,463)
Elimination of unrealised profits	**(11,253)**	(7,801)
At 31 December	**2,276,948**	1,488,849

(i) In 2016, the Group invested in three joint ventures, which are engaged in property development and asset management business. The details of the joint ventures are listed in Note (a)(ii).

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(ii) Nature of investment in the joint ventures 2016 and 2015:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
2016:			
Shanghai Xingwan Real Estate Co., Ltd. 上海興萬置業有限公司	PRC	50%	Equity
Shanghai Hexun Juxin Asset Management Co., Ltd. 上海和訊聚信資產管理有限公司	PRC	50%	Equity
Shanghai Xuting Real Estate Co., Ltd. 上海旭亭置業有限公司	PRC	27%	Equity
Tianjin Powerlong Jinjun Real Estate Co., Ltd. ("Tianjin Jinjun") 天津寶龍金駿房地產開發有限責任公司	PRC	65%	Equity
Powerlong Golden Wheel Coral Company Limited* 寶龍金輪珊瑚有限公司	BVI	51%	Equity
Baohui Real Estate (Hong Kong) Holdings Limited ("Baohui")* 寶匯地產(香港)控股有限公司	Hong Kong	60%	Equity
Shanghai Powerlong Zhanyao Enterprises Development Limited ("Shanghai Zhanyao")* 上海寶龍展耀企業發展有限公司	PRC	42%	Equity
2015:			
Tianjin Powerlong Jinjun Real Estate Co., Ltd. ("Tianjin Jinjun") 天津寶龍金駿房地產開發有限責任公司	PRC	65%	Equity
Powerlong Golden Wheel Coral Company Limited* 寶龍金輪珊瑚有限公司	BVI	51%	Equity
Baohui Real Estate (Hong Kong) Holdings Limited* 寶匯地產(香港)控股有限公司	Hong Kong	60%	Equity
Shanghai Powerlong Zhanyao Enterprises Development Limited* 上海寶龍展耀企業發展有限公司	PRC	38%	Equity

* These joint ventures are small private groups, which comprise several subsidiaries.

The joint ventures listed above are private companies and there is no quoted market price available for its shares. Their share capital consisted solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also its principal place of business.

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(iii) Summarised financial information of the joint ventures

Set out below are the summarised financial information of the joint ventures which are accounted for using the equity method.

Summarised balance sheet

	31 December 2016 Tianjin Jinjun RMB'000	 Baohui RMB'000	 Shanghai Zhanyao RMB'000	 Others RMB'000	 Total RMB'000
Assets					
Current assets	2,579,428	687,739	3,076,802	4,767,580	11,111,549
Non-current assets	922,999	845,266	360,916	579,770	2,708,951
Total assets	3,502,427	1,533,005	3,437,718	5,347,350	13,820,500
Liabilities					
Current liabilities	(1,703,465)	(1,070,196)	(2,166,477)	(2,073,311)	(7,013,449)
Non-current liabilities	(125,781)	(73,792)	(910,001)	(1,377,558)	(2,487,132)
Total liabilities	(1,829,246)	(1,143,988)	(3,076,478)	(3,450,869)	(9,500,581)
Net assets	1,673,181	389,017	361,240	1,896,481	4,319,919

	31 December 2015 Tianjin Jinjun RMB'000	 Others RMB'000	 Total RMB'000
Assets			
Current assets	3,266,590	4,271,680	7,538,270
Non-current assets	924,872	874,775	1,799,647
Total assets	4,191,462	5,146,455	9,337,917
Liabilities			
Current liabilities	(1,254,293)	(3,642,951)	(4,897,244)
Non-current liabilities	(1,224,927)	(866,345)	(2,091,272)
Total liabilities	(2,479,220)	(4,509,296)	(6,988,516)
Net assets	1,712,242	637,159	2,349,401

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(iii) Summarised financial information for the joint ventures (continued)

Summarised statement of comprehensive income

	Year ended 31 December 2016				
	Tianjin Jinjun RMB'000	Baohui RMB'000	Shanghai Zhanyao RMB'000	Others RMB'000	Total RMB'000
Revenue	144,575	1,002,372	1,234,246	307,586	2,688,779
Cost of goods sold	(134,039)	(623,580)	(690,221)	(197,985)	(1,645,825)
Fair value gains from investment properties	–	–	–	149,910	149,910
Interest income	327	–	1,134	913	2,374
(Loss)/profit from continuing operations before tax	(27,495)	354,889	524,360	219,050	1,070,804
Income tax expenses	(11,566)	(156,355)	(224,430)	(80,065)	(472,416)
Post-tax (loss)/profit from continuing operations	(39,061)	198,534	299,930	138,985	598,388
Total comprehensive (loss)/ income	(39,061)	198,534	299,930	138,985	598,388

	Year ended 31 December 2015		
	Tianjin Jinjun RMB'000	Others RMB'000	Total RMB'000
Revenue	213,616	-	213,616
Cost of goods sold	(185,739)	-	(185,739)
Fair value gains from investment properties	-	345,418	345,418
Interest income	373	944	1,317
Profit from continuing operations before tax	6,817	270,596	277,413
Income tax income/(expense)	27,742	(77,119)	(49,377)
Post-tax profit from continuing operations	34,559	193,477	228,036
Total comprehensive income	34,559	193,477	228,036

There are no material differences in accounting policies between the Group and joint ventures.

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(iv) Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amounts of the Group's interests in joint ventures.

	Year ended 31 December 2016				
	Tianjin Jinjun RMB'000	Baohui RMB'000	Shanghai Zhanyao RMB'000	Others RMB'000	Total RMB'000
Opening net assets as at 1 January	1,712,242	190,483	55,180	391,496	2,349,401
Additions	–	–	6,130	1,366,000	1,372,130
(Loss)/profit for the year	(39,061)	198,534	299,930	138,985	598,388
Closing net assets as at 31 December	1,673,181	389,017	361,240	1,896,481	4,319,919
Less:					
– Joint venture partners' interests	(512,211)	(155,607)	(176,818)	(1,152,374)	(1,997,010)
– Elimination of unrealised profits	(22,739)	(17,094)	(1,352)	(4,776)	(45,961)
Interests in joint ventures (carrying value)	1,138,231	216,316	183,070	739,331	2,276,948

	Year ended 31 December 2015		
	Tianjin Jinjun RMB'000	Others RMB'000	Total RMB'000
Opening net assets as at 1 January	1,677,683	770,306	2,447,989
Additions	–	–	–
Transfer to a subsidiary	–	(326,624)	(326,624)
Profit for the year	34,559	193,477	228,036
Closing net assets as at 31 December	1,712,242	637,159	2,349,401
Less:			
– Joint venture partners' interests	(527,958)	(297,886)	(825,844)
– Elimination of unrealised profits	(21,458)	(13,250)	(34,708)
Interests in joint ventures (carrying value)	1,162,826	326,023	1,488,849

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Associates

	Year ended 31 December 2016 RMB'000	2015 RMB'000
At 1 January	35,100	36,179
Additions (Note (i))	302,497	–
Share of losses - net	(9,445)	(1,079)
At 31 December	328,152	35,100

(i) In 2016, the Group invested in two associates which are engaged in property development and investment holding business in Jiangsu and Shanghai.

(ii) Nature of investment in the associates 2016 and 2015

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
2016:			
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	PRC	37%	Equity
Shanghai Zunchang Investment Management Co., Ltd. 上海樽昶投資管理有限公司	PRC	41%	Equity
Suzhou Macalline Real Estate Co., Ltd. ("Suzhou Macalline") 蘇州紅星美凱龍房地產開發有限公司	PRC	41%	Equity
2015:			
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	PRC	37%	Equity

15 RESTRICTED CASH

	31 December	
	2016	2015
	RMB'000	RMB'000
Guarantee deposits for construction projects (Note (a))	**335,170**	115,886
Guarantee deposits for bank acceptance notes (Note (b))	**169,703**	350,212
Guarantee deposits for bank borrowings (Note (c))	**637,064**	581,159
Others	**32,560**	38,632
	1,174,497	1,085,889
Denominated in:		
– RMB	**1,174,431**	1,080,902
– US$	**66**	–
– HK$	**–**	4,987
	1,174,497	1,085,889

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

(b) As at 31 December 2016, the Group has placed cash deposits of approximately RMB169,703,000 (2015: RMB350,212,000) with designated banks as guarantee for the issuance of bank acceptance notes.

(c) As at 31 December 2016, the Group has placed cash deposits of approximately RMB637,064,000 (2015: RMB581,159,000) with designated banks as security for bank borrowings.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

16 CASH AND CASH EQUIVALENTS

	31 December 2016 RMB'000	31 December 2015 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	**8,963,243**	5,113,115
– Denominated in HK$	**3,525**	18,957
– Denominated in US$	**7,036**	507,771
	8,973,804	5,639,843

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

17 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Shares held for Share Award Scheme RMB'000	Total RMB'000
Authorised:					
As at 1 January 2015					
31 December 2015 and 31 December 2016	30,000,000,000				
Issued and fully paid:					
As at 1 January 2016	3,997,303,000	35,486	3,035,746	(91,536)	2,979,696
Dividends	–	–	(305,376)	–	(305,376)
Vested and transferred to eligible employees (Note (a))	–	–	(3,584)	12,310	8,726
As at 31 December 2016	3,997,303,000	35,486	2,726,786	(79,226)	2,683,046

(a) Shares held for Share Award Scheme

On 2 December 2010 (the "Adoption Date"), the Company adopted a share award scheme in which a number of selected employees and directors of the Group are entitled to participate (the "Share Award Scheme"). The Group has set up a trust (the "Share Award Scheme Trust") for the purpose of administrating the Share Award Scheme. Under the sole discretion of the Board, the Share Award Scheme Trust will acquire the Company's shares from the Stock Exchange, with a maximum number determined by the Board, and hold the shares granted to the employees but not vested for the employees and directors until they are vested. The Share Award Scheme shall be valid and effective for a term of six years commencing on the Adoption Date.

On 27 November 2016, the Company resolved to amend the Scheme Rules for the purpose of extending the trust period of Scheme, which shall expire on 2 December 2016. Accordingly, on 2 December 2016, the Company entered into a deed of variation to the Trust Deed with the Trustee to extend the trust period from 2 December 2016 to 31 December 2017.

17 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

(a) Shares held for Share Award Scheme (continued)

Employees and directors are not entitled to dividends on any awarded shares that are not yet transferred to them.

The Board will implement the Share Award Scheme in accordance with the terms of the Share Award Scheme including providing necessary funds to the Share Award Scheme Trust for the purchase of shares up to 2% of the issued share capital of the Company as of the Adoption Date.

During the year ended 31 December 2016, the Shares held for Share Award Scheme transferred 5,830,050 shares of RMB 8,726,000 to the eligible employees upon vesting of the awarded shares. As at 31 December 2016, the Share Award Scheme Trust held 39,549,950 shares of the Company (2015: 45,380,000) (Note 18(d)).

18 OTHER RESERVES

	Merger reserve RMB'000 (Note (a))	Statutory reserves RMB'000 (Note (b))	Share – based compensation reserve RMB'000 (Note (c) and Note (d))	Revaluation reserves RMB'000 (Note (e))	Transaction with non-controlling interests RMB'000 RMB'000	Total RMB'000 RMB'000
Balance at 1 January 2016	**337,203**	**52,738**	**21,670**	**236,294**	**8,481**	**656,386**
Pre – IPO Share Option Scheme (Note (c))	–	–	(7,734)	–	–	(7,734)
Share Award Scheme – value of employee services (Note (d))	–	–	2,778	–	–	2,778
Share Award Scheme – vesting of awarded shares (Note (d))	–	–	(8,726)	–	–	(8,726)
Revaluation – net of tax	–	–	–	11,180	–	11,180
Appropriation to statutory reserves	–	948	–	–	–	948
Disposal of Available-for-sale financial assets	–	–	–	68	–	68
Balance at 31 December 2016	**337,203**	**53,686**	**7,988**	**247,542**	**8,481**	**654,900**
Balance at 1 January 2015	337,203	36,574	54,824	227,745	8,481	664,827
Pre – IPO Share Option Scheme (Note (c))	–	–	(38,055)	–	–	(38,055)
Share Award Scheme (Note (d))	–	–	4,901	–	–	4,901
Revaluation – net of tax	–	–	–	8,549	–	8,549
Appropriation to statutory reserves	–	16,164	–	–	–	16,164
Balance at 31 December 2015	337,203	52,738	21,670	236,294	8,481	656,386

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

18 OTHER RESERVES (CONTINUED)

(b) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

(c) Pre-IPO Share Option Scheme

On 16 September 2009, the Company granted share options to certain employees of the Group under a share option scheme (the "Pre-IPO Share Option Scheme"). The option holders are entitled to acquire an aggregate of 40,000,000 shares of the Company at 10% discount to the offer price of HK$2.75 per share upon the listing date.

Particulars of share options as at 31 December 2016 and 2015 are as follows:

			Number of outstanding shares as at 31 December	
Vesting period	Expiry dates	Exercise price	**2016**	2015
5 years to 16 September 2014	15 September 2016	HK$2.475	–	4,388,000
			–	4,388,000

Movements in the number of share options outstanding are as follows:

	Year ended 31 December	
	2016	2015
At 1 January	**4,388,000**	8,936,000
Expired	**(4,388,000)**	(4,548,000)
At 31 December	–	4,388,000

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

No expense recognised for employee services received in respect of the Pre-IPO Share Option Scheme for the year ended 31 December 2016 (2015: nil).

18 OTHER RESERVES (CONTINUED)

(d) Share Award Scheme

Movements in the number of shares held for the Share Award Scheme for the years ended 31 December 2016 and 2015 are as follows:

	Not awarded shares held for the Share Award Scheme Trust	Awarded shares held by the Share Award Scheme Trust
At 1 January 2016	**34,334,300**	**11,045,700**
Forfeited	**797,700**	**(797,700)**
Vested and transferred to eligible employees	**–**	**(5,830,050)**
At 31 December 2016	**35,132,000**	**4,417,950**
At 1 January 2015	33,009,300	12,370,700
Forfeited	1,325,000	(1,325,000)
At 31 December 2015	34,334,300	11,045,700

For the shares granted under the Share Award Scheme, the fair value of the employee services received in exchange for the grant of the awarded shares is recognised as an expense and credited to equity over the period in which the vesting conditions are fulfilled. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

The fair value of the awarded shares was calculated based on market prices of the Company's shares as at the respective grant dates. The expected dividends during the vesting periods have been taken into account when assessing the fair value of the awarded shares.

On 6 June 2013, the Company granted an aggregate of 7,502,000 shares to 67 eligible employees and directors pursuant to the Share Award Scheme. On 29 May 2014, the Company granted an aggregate of 8,958,000 shares to 84 eligible employees and directors pursuant to the Share Award Scheme.

During the year ended 31 December 2016, an aggregate of 797,700 granted shares were forfeited due to the resignation of certain eligible employees, 5,830,050 shares were vested and transferred to the eligible employees at nil consideration.

The outstanding awarded shares as at 31 December 2016 were 4,417,950 (2015: 11,045,700).

18 OTHER RESERVES (CONTINUED)

(d) Share Award Scheme (continued)

Particulars of awarded shares as at 31 December 2016 and 2015 are as follows:

Vesting period	Dates of grant	Market price at grant dates HK$/share	Number of outstanding shares as at 31 December 2016	2015
3 years	6 June 2013	1.27	–	2,636,200
4 years	6 June 2013	1.27	**2,253,800**	2,636,200
2 years	29 May 2014	1.11	–	2,886,650
3 years	29 May 2014	1.11	**2,164,150**	2,886,650
			4,417,950	11,045,700

The total expense recognised for employee and directors services received in respect of the Share Award Scheme for the year ended 31 December 2016 was RMB2,778,000 (2015: RMB4,901,000).

(e) Other comprehensive income

	Year ended 31 December 2016 Revaluation reserves RMB'000	Total other comprehensive income RMB'000
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on available-for-sale financial assets		
– gross (Note 13)	**14,993**	**14,993**
Tax charge – deferred income tax	**(3,813)**	**(3,813)**
Total other comprehensive income – net of tax	**11,180**	**11,180**

18 OTHER RESERVES (CONTINUED)

(e) Other comprehensive income (continued)

	Year ended 31 December 2015	
	Revaluation reserves RMB'000	Total other comprehensive income RMB'000
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on available-for-sale financial assets		
– gross (Note 13)	11,249	11,249
Tax charge – deferred income tax	(2,700)	(2,700)
Total other comprehensive income – net of tax	8,549	8,549

19 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	**Distribution** RMB'000	**Total** RMB'000
Balance as at 1 January 2016	1,300,000	5,161	1,305,161
Issuance of Perpetual Capital Instruments	1,000,000	-	1,000,000
Redemption of Perpetual Capital Instruments	(600,000)	-	(600,000)
Profit attributable to holders of Perpetual Capital Instruments	-	145,765	145,765
Distribution to holders of Perpetual Capital Instruments	-	(120,851)	(120,851)
Balance as at 31 December 2016	1,700,000	30,075	1,730,075

The Perpetual Capital Instruments do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded as part of equity in the consolidated balance sheet.

20 BORROWINGS

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

20 BORROWINGS (CONTINUED)

(a) Senior notes

(i) *2021 Notes*

On 15 September 2016, the Company issued 4.875%, 5 years senior notes, with an aggregated nominal value of US$200,000,000 at 99.018% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US$195,006,519 (equivalent to approximately RMB1,304,496,000). The 2021 Notes is denominated in US$.

The 2021 Notes recognised in the balance sheet are calculated as follows:

	Year ended 31 December
	2016 RMB'000
Fair value at the date of issuance	**1,304,496**
Interest expenses and amortisation of issuance costs	**20,783**
Repurchase	**(10,154)**
Foreign exchange losses – net	**49,006**
At 31 December	**1,364,131**

(ii) *2018 Notes II*

On 26 November 2015, the Company issued 7.625%, 3 years senior notes, with an aggregated nominal value of US$200,000,000 at 99.017% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US$195,129,319 (equivalent to approximately RMB1,253,214,000). The 2018 Notes II is denominated in the US$.

The 2018 Notes II recognised in the balance sheet are calculated as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
At 1 January at issuance date	**1,283,462**	1,253,214
Interest expenses and amortisation of issuance costs	**105,269**	10,068
Repayment of interest	**(102,768)**	–
Foreign exchange losses – net	**93,602**	20,180
At 31 December	**1,379,565**	1,283,462

20 BORROWINGS (CONTINUED)

(a) Senior notes (continued)

(iii) 2017 Notes and derivative financial instruments

On 18 September 2014, the Company issued 10.75%, 3 years senior notes, with an aggregated nominal value of RMB1,500,000,000 at face value ("2017 RMB Notional Amounts"). The net proceeds, after deducting the issuance costs, amounted to RMB1,465,536,000. The 2017 Notes is denominated in RMB.

On 2 November 2016, the Company partially redeemed the 2017 Notes with aggregate principal amounts of approximately RMB879,680,000 at a consideration of approximately RMB928,063,000. The losses of the early redemption of approximately RMB54,750,000 was recognised as "Finance costs – net" in the consolidated statement of comprehensive income (Note 29).

The 2017 Notes recognised in the balance sheet are calculated as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
At 1 January	**1,524,981**	1,514,307
Interest expenses and amortisation of issuance costs	**157,241**	171,923
Repayment of interest	**(173,351)**	(161,249)
Early redemption	**(928,063)**	–
Losses of early redemption	**54,750**	–
At 31 December	**635,558**	1,524,981

On the issuance date of 2017 Notes, the Company entered into certain cross currency swaps ("2017 CCS") with a bank. According to the 2017 CCS, the Company exchanged RMB1,500,000,000 with the bank for equivalent US$244,409,000 ("2017 US$ Notional Amounts"). The Company is required to pay interest at 9.5% per annum based on the 2017 US$ Notional Amounts at each interest payment date of 2017 Notes. On maturity of 2017 Notes, the Company is required to deliver the 2017 US$ Notional Amounts to the bank in exchange with the 2017 RMB Notional Amounts. 2017 CCS is not designated as a hedging instrument but a derivative financial instrument and valued at fair value (Note 21).

20 BORROWINGS (CONTINUED)

(a) Senior notes (continued)

(iv) 2018 Notes I

On 25 January 2013, the Company issued 11.25%, 5 years senior notes, with an aggregated nominal value of US$250,000,000 at 98.608% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US$241,670,000 (equivalent to approximately RMB1,524,717,000). The 2018 Notes I is denominated in US$.

On 25 January 2016, the Company early redeemed the outstanding 2018 Notes in full at a redemption price equals to 105.625% of the outstanding principal amount of US$250,000,000 (equivalent to approximately RMB1,639,300,000), plus a premium equivalent to approximately RMB92,211,000, and the accrued and unpaid interest of approximately RMB77,245,000 as of the Redemption Date. The redemption losses of approximately RMB114,734,000 was recognised as "Finance costs – net" in the consolidated statement of comprehensive income (Note 29).

(v) 2016 Notes

On 27 May 2013, the Company issued 9.50%, 3 years senior notes, with an aggregated nominal value of RMB800,000,000 at face value ("RMB Notional Amounts"). The net proceeds, after deducting the issuance costs, amounted to RMB787,522,000. The 2016 Notes is denominated in RMB. The 2016 Notes matured on 27 May 2016 and were repaid by the Group on the same date.

(b) Corporate bonds

The corporate bonds recognised in the balance sheet consisted of:

	2016				2015
	Panda bonds Note (i) RMB'000	**Asset-backed securities Note (ii) RMB'000**	**PRC corporate bonds Note (iii) RMB'000**	**Total RMB'000**	Total RMB'000
At 1 January	**496,585**	**–**	**496,873**	**993,458**	–
Additions	**5,470,687**	**2,137,125**	**3,954,530**	**11,562,342**	990,288
Interest expenses and amortisation of issuance costs	**106,261**	**38,519**	**243,285**	**388,065**	3,170
Repayment of interest	**(35,500)**	**–**	**(37,500)**	**(73,000)**	–
At 31 December	**6,038,033**	**2,175,644**	**4,657,188**	**12,870,865**	993,458

(i) Panda bonds

On 3 August 2016, the Company issued 5.79% one-year panda bonds and 6.8% two-year corporate bonds with an aggregated principal amount of RMB2,000,000,000 at 100% of the face value.

20 BORROWINGS (CONTINUED)

(b) Corporate bonds (continued)

(i) *Panda bonds (continued)*

On 24 November 2016, the Company issued 5.85% three-year panda bonds and 4.98% two-year corporate bonds with an aggregated principal amount of RMB3,500,000,000 at 100% of the face value.

(ii) *Asset-backed securities*

On 8 April 2016, a PRC subsidiary of the Group issued an asset-backed securities ("ABS") in the principal of RMB600,000,000, with a term of 3 years and bearing an interest ranging from 5.30% to 7.00% per annum and the principal is repayable by instalments, amongst which RMB50,000,000 was subordinate securities subscribed by the PRC subsidiary. The proceeds from the ABS, after net of the issuance costs and the subordinate securities subscribed by the PRC subsidiary, amounted to approximately RMB544,000,000.

The ABS was pledged by the Group's rights of receipt of certain rental and property management fees.

On 11 November 2016, a PRC subsidiary of the Group issued another ABS in the principal of RMB1,700,000,000, with a term of 3 years and bearing an interest ranging from 3.90% to 5.50% per annum and the principal is repayable by instalments, amongst which RMB100,000,000 was subordinate securities subscribed by the PRC subsidiary. The proceeds from the ABS, after net of the issuance costs and the subordinate securities subscribed by the PRC subsidiary, amounted to approximately RMB1,593,125,000.

The ABS was pledged by the Group's certain investment properties and rights over certain receivables arising from sales of the Group's properties.

(iii) *PRC Corporate bonds*

On 19 January 2016, a PRC subsidiary of the Group issued 6.20%, three-year PRC corporate bond with an aggregated principal amount of RMB2,700,000,000 at 100% of the face value.

On 8 March 2016, a PRC subsidiary of the Group issued 6.00%, three-year PRC corporate bond with an aggregated principal amount of RMB500,000,000 at 100% of the face value.

On 25 August 2016, a PRC subsidiary of the Group issued 5.25%, two-year PRC corporate bond with an aggregated principal amount of RMB800,000,000 at 100% of the face value.

(c) Bank borrowings – secured

As at 31 December 2016, bank borrowings of RMB10,877,664,000 (2015: RMB14,615,307,000) were secured by property and equipment (Note 6), land use rights (Note 7), investment properties (Note 8), properties under development (Note 9), completed properties held for sale (Note 10) and restricted cash (Note 15); the secured bank borrowings of RMB2,825,495,300 (2015: RMB4,852,785,300) were additionally guaranteed by certain related parties (Note 36(b)(ii)).

20 BORROWINGS (CONTINUED)

(d) Other borrowings – secured

As at 31 December 2016, borrowings from other financial institutions of RMB2,898,390,000 (2015: RMB1,713,074,000) were secured by land use rights (Note 7), investment properties (Note 8), properties under development (Note 9) and completed properties held for sale (Note 10).

(e) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2016	3,271,348	3,605,011	11,763,418	3,850,313	22,490,090
At 31 December 2015	5,080,547	6,470,680	4,954,311	130,000	16,635,538
Borrowings included in current liabilities:					
At 31 December 2016	2,503,342	5,032,741	–	–	7,536,083
At 31 December 2015	3,709,139	2,301,812	–	–	6,010,951

(f) The carrying amounts and fair value of the non-current borrowings are as follows:

	31 December 2016		31 December 2015	
	Carrying amount RMB'000	**Fair Value RMB'000**	Carrying amount RMB'000	Fair Value RMB'000
2021 Notes (Note (i))	**1,344,304**	**1,289,699**	–	–
2018 Notes II (Note (i))	**1,369,421**	**1,441,703**	1,273,966	1,294,603
2017 Notes (Note (i))	**–**	**–**	1,479,035	1,489,365
2018 Notes I (Note (ii))	**–**	**–**	1,585,809	1,561,251
Corporate bonds (Note (iii))	**10,226,633**	**10,329,329**	990,393	1,000,000
Bank borrowings (Note (iv))	**7,898,151**	**7,960,850**	10,398,239	10,499,438
Other borrowings (Note (iv))	**1,651,581**	**1,651,581**	908,096	908,096
	22,490,090	**22,673,162**	16,635,538	16,752,753

Notes:

(i) The fair values were determined directly by references to the price quotations published by Singapore Stock Exchange Limited on 31 December 2016 and 2015, using the pricing of dealing date and were within level 1 of the fair value hierarchy.

(ii) The fair values were determined directly by references to the price quotations published by the Stock Exchange on 31 December 2016 and 2015, using the pricing of dealing date and were within level 1 of the fair value hierarchy.

20 BORROWINGS (CONTINUED)

(f) (continued)

(iii) The fair values of public bonds were determined by reference to the price quotations published on the last trading day of the year ended 31 December 2016 and were within level 1 of the fair value hierarchy. The fair values of non-public bonds were estimated based on cash flow discounted at the borrowing rate and were within level 2 of the fair value hierarchy.

(iv) The fair values were estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date and were within level 2 of the fair value hierarchy.

(g) The non-current borrowings are repayable as follows:

	Senior notes RMB'000	Corporate bonds RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
As at 31 December 2016					
1–2 years	**1,369,421**	**726,647**	**1,741,647**	**1,440,865**	**5,278,580**
2–5 years	**1,344,304**	**6,024,674**	**4,719,753**	**210,716**	**12,299,447**
Over 5 years	**–**	**3,475,313**	**1,436,750**	**–**	**4,912,063**
	2,713,725	**10,226,634**	**7,898,150**	**1,651,581**	**22,490,090**
As at 31 December 2015					
1–2 years	1,753,145	72,988	5,217,617	463,766	7,507,516
2–5 years	2,585,666	917,404	4,058,622	444,330	8,006,022
Over 5 years	–	–	1,122,000	–	1,122,000
	4,338,811	990,392	10,398,239	908,096	16,635,538

(h) The maturity of the borrowings is as follows:

	Senior notes RMB'000	Corporate bonds RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
As at 31 December 2016					
Within 1 year	**635,558**	**445,558**	**2,288,380**	**1,148,200**	**4,517,696**
Between 1 and 2 years	**1,379,565**	**738,257**	**648,831**	**1,408,096**	**4,174,749**
Between 2 and 5 years	**1,364,131**	**8,191,423**	**5,042,704**	**342,094**	**14,940,352**
Over 5 years	**–**	**3,495,627**	**2,897,749**	**–**	**6,393,376**
	3,379,254	**12,870,865**	**10,877,664**	**2,898,390**	**30,026,173**
As at 31 December 2015					
Within 1 year	803,940	–	3,813,768	792,213	5,409,921
Between 1 and 2 years	1,524,981	–	4,103,417	430,000	6,058,398
Between 2 and 5 years	2,948,829	993,458	4,239,022	511,861	8,693,170
Over 5 years	–	–	2,485,000	–	2,485,000
	5,277,750	993,458	14,641,207	1,734,074	22,646,489

20 BORROWINGS (CONTINUED)

(i) The effective interest rates of borrowings are as follows:

	31 December 2016	2015
Senior notes	**9.43%**	11.08%
Corporate bonds	**6.12%**	7.30%
Bank and other borrowings	**5.55%**	6.35%

(j) The carrying amounts of borrowings are denominated in the following currencies:

	31 December 2016 RMB'000	2015 RMB'000
RMB	**26,188,686**	16,491,451
HK$	**265,831**	857,570
US$	**3,571,656**	5,297,468
	30,026,173	22,646,489

(k) As at 31 December 2016 and 2015, the Group had the following undrawn borrowing facilities:

	31 December 2016 RMB'000	2015 RMB'000
Floating rate:		
– expiring within 1 year	**356,000**	–
– expiring beyond 1 year	**2,195,215**	525,000
Fixed rate:		
– expiring within 1 year	**178,500**	–
	2,729,715	525,000

21 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2016 and 2015, the Group had the following derivative financial instruments:

	31 December 2016 RMB'000	2015 RMB'000
Non-current portion:		
– 2017 CCS as a liability (Note 20(a)(iii))	**–**	170,907
Current portion:		
– 2017 CCS as a liability (Note 20(a)(iii))	**110,255**	–
– 2016 CCS as a liability	**–**	70,949
	110,255	241,856

22 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Deferred income tax assets:		
To be realised after more than 12 months	**236,246**	259,035
To be realised within 12 months	**123,752**	135,689
	359,998	394,724
Deferred income tax liabilities to be settled after more than 12 months	**(4,041,526)**	(3,685,327)
	(3,681,528)	(3,290,603)

The net movement on the deferred income tax is as follows:

	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 RMB'000
At 1 January	**(3,290,603)**	(2,934,300)
Tax charged in consolidated income statement (Note 30)	**(387,112)**	(353,603)
Tax charge relating to components of other comprehensive income (Note 18)	**(3,813)**	(2,700)
At 31 December	**(3,681,528)**	(3,290,603)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary difference on unrealised profit of inter-company transactions RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2016	**258,823**	**212,367**	**471,190**
Tax (charged)/credited to consolidated income statement	**(28,861)**	**6,630**	**(22,231)**
At 31 December 2016	**229,962**	**218,997**	**448,959**
At 1 January 2015	250,684	191,193	441,877
Tax credited to consolidated income statement	8,139	21,174	29,313
At 31 December 2015	258,823	212,367	471,190

22 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities

	Temporary difference on unrealised profit of inter-company transactions RMB'000	Temporary difference on revaluation gains of investment properties RMB'000	Temporary difference on revaluation of available-for-sale financial assets RMB'000	Total RMB'000
At 1 January 2016	(3,628)	(3,677,936)	(80,229)	(3,761,793)
Tax charged to consolidated income statement	(785)	(364,096)	–	(364,881)
Tax charge relating to components of other comprehensive income	–	–	(3,813)	(3,813)
At 31 December 2016	(4,413)	(4,042,032)	(84,042)	(4,130,487)
At 1 January 2015	(3,101)	(3,295,547)	(77,529)	(3,376,177)
Tax charged to consolidated income statement	(527)	(382,389)	–	(382,916)
Tax charge relating to components of other comprehensive income	–	–	(2,700)	(2,700)
At 31 December 2015	(3,628)	(3,677,936)	(80,229)	(3,761,793)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB56,501,000 (2015: RMB27,457,000) in respect of losses amounting to RMB226,004,000 (2015: RMB109,826,000) that can be carried forward against future taxable income. The tax losses could be carried forward for a maximum of five years.

Deferred income tax liabilities of RMB2,034,736,000 (2015: RMB1,734,808,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled RMB22,648,208,000 at 31 December 2016 (2015: RMB19,494,339,000), as the Group does not have a plan to distribute these earnings out of the PRC.

23 TRADE AND OTHER PAYABLES

	31 December 2016 RMB'000	31 December 2015 RMB'000
Trade payables	5,511,247	4,852,330
– Related parties (Note 36(d))	32,665	31,859
– Third parties	5,247,531	4,249,674
– Notes payable – third parties	231,051	570,797
Other payables and accruals	4,648,449	4,278,769
– Related parties (Note 36(d))	3,097,696	2,995,850
– Third parties	1,550,753	1,282,919
Payables for retention fee	505,615	370,903
Payables for acquisition of land use rights	177,189	282,021
Other taxes payables	391,843	166,874
	11,234,343	9,950,897

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

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

24 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	31 December	
	2016 **RMB'000**	2015 RMB'000
Current income tax liabilities		
– PRC corporate income tax payable	**1,985,378**	1,658,914
– Withholding income tax for the profits to be distributed from the group companies in the PRC	**104,956**	110,300
– PRC land appreciation tax payable	**1,611,167**	1,046,562
	3,701,501	2,815,776

25 EXPENSES BY NATURE

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

	Year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
Cost of properties sold (excluding staff costs)	**8,134,618**	6,489,811
Staff costs (including directors' emoluments) (Note 26)	**843,667**	755,247
Business taxes and other levies (Note (a))	**417,620**	683,069
Advertising costs	**235,576**	269,834
Cost of property management service (excluding staff costs)	**207,036**	159,776
Cost of hotel operations (excluding staff costs)	**201,364**	190,162
Depreciation (Note 6)	**135,628**	133,269
Donations to governmental charity	**70,027**	30,038
Amortisation of land use rights (Note 7)	**22,694**	22,853
Office lease payments	**5,431**	15,466
Auditor's remuneration	**5,696**	5,999
– Audit services	**4,800**	4,300
– Non-audit services	**896**	1,699

(a) Pursuant to the 'Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax' (Cai Shui [2016] 36) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenue of sales of properties, rental and management services of the Group's PRC subsidiaries previously subject to business tax is subject to VAT from 1 May 2016.

26 STAFF COSTS

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Wages and salaries	**690,647**	621,831
Pension costs – statutory pension	**118,139**	96,020
Other staff welfare and benefits	**32,103**	32,495
Value of employee services under Share Award Scheme	**2,778**	4,901
	843,667	755,247

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including two (2015: two) directors whose emoluments are reflected in the analysis presented in Note 39. The aggregate amounts of emoluments of the remaining three (2015: three) individuals during the year are set out below:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Wages and salaries	**1,800**	1,896
Retirement scheme contributions	**249**	217
Housing allowance	**407**	288
Share Award Scheme	**212**	641
	2,668	3,042

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands (in HK$)		
HK$1,000,000 – HK$1,500,000	**3**	3

(b) Pensions – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, with a maximum cap per employee per month.

27 OTHER GAINS/(LOSSES) – NET

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

28 EXCHANGE GAINS/(LOSSES) – NET

Amount mainly represents the net gain or loss on translation of financial assets and liabilities, which are denominated in foreign currency, into RMB at the prevailing year-end exchange rate. It does not include the exchange gain or loss of translation of borrowings which are included in the "Finance costs – net" (Note 29).

29 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)
	265,227	94,028
Foreign exchange losses on financing activities – net	**316,541**	388,840
Less: capitalised	**(72,284)**	(118,679)
	244,257	270,161
Losses of early redemption of senior notes	**169,484**	–
	678,968	364,189

30 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
	1,958,596	1,512,768

The tax charge on other comprehensive income has been disclosed in Note 18(e).

The income tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Profit before income tax	**4,707,800**	3,847,857
Calculated at applicable corporate income tax rate	**1,382,790**	1,092,702
Effect of expenses not deductible for income tax	**8,797**	20,133
Effect of income not subject to income tax	**(10,466)**	(801)
Share of profit of investments accounted for using the equity method	**(78,574)**	(39,415)
Tax losses for which no deferred income tax asset was recognised	**56,500**	27,457
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(201,631)**	(137,564)
	1,157,416	962,512
Reversal of withholding income tax for distributable profits of the PRC subsidiaries due to change of tax rate	**(5,344)**	–
PRC land appreciation tax	**806,524**	550,256
	1,958,596	1,512,768

30 INCOME TAX EXPENSES (CONTINUED)

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, are 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.

31 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 (Note 18 (d)).

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

(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 num ber of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from awarded shares granted by the Company.

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

32 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.

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Proposed final dividends	**572,014**	301,397

33 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Profit before taxation	**4,707,800**	3,847,857
Adjustments for:		
Depreciation (Note 6)	**135,628**	133,269
Amortisation of land use rights recognised as expense (Note 7)	**22,694**	22,853
Fair value gains on investment properties – net (Note 8)	**(1,519,884)**	(1,503,628)
Share of profit of investments accounted for using the equity method (Note 14)	**(314,295)**	(157,659)
Amortisation of Share Award Scheme (Note 18)	**2,778**	4,901
Other (gains)/losses – net (Note 27)	**(9,857)**	140,586
Finance costs – net (Note 29)	**678,968**	364,189
Effect of foreign exchange rate changes	**(2,343)**	9,178
Changes in operating capital:		
Properties under construction and completed properties held for sale	**1,231,639**	(1,677,776)
Restricted cash	**(32,703)**	(36,066)
Trade and other receivables	**(1,228,759)**	(18,567)
Prepayments	**(672,860)**	457,726
Financial assets at fair value through profit or loss	**(29,403)**	1,500
Trade and other payables	**969,607**	1,243,838
Advances from customers	**(459,365)**	(78,657)
Cash generated from operation	**3,479,645**	2,753,544

34 FINANCIAL GUARANTEE CONTRACTS

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

	31 December	
	2016 **RMB'000**	2015 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**9,290,180**	8,062,268
Guarantees for borrowings of joint ventures (Note (b))	**1,895,000**	2,158,830
	11,185,180	10,221,098

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore the fair value of these financial guarantees is immaterial.

(b) It represents guarantees provided to joint ventures to obtain borrowings. The Directors consider that the fair value of these contracts at the date of inception was minimal, the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

35 COMMITMENTS

(a) Commitments for property development expenditures

	31 December 2016 RMB'000	31 December 2015 RMB'000
Contracted but not provided for:		
Properties development activities	**5,432,836**	5,613,503
Acquisition of land use rights	**85,540**	1,016,049
	5,518,376	6,629,552

(b) Operating leases commitments

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

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

36 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Group (incorporated in Cayman Islands)
The Controlling Shareholders, including Mr. Hoi Kin Hong, Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	Ultimate controlling shareholders of the Company and their close family member, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also directors of the Company
Sky Infinity Holdings Limited	Shareholder of the Company and fully owned subsidiary of Mr. Hoi Wa Fong
Powerlong Group Development Co., Ltd. 寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Macau Powerlong Group 澳門寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊文化發展有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Great Merchant Limited 弘商有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Tianjin Powerlong Jinjun Real Estate Co., Ltd. ("Tianjin Jinjun") 天津寶龍金駿房地產開發有限公司	Joint venture
Hangzhou Xiaoshan Powerlong Property Co., Ltd. ("Hangzhou Xiaoshan") 杭州蕭山寶龍置業有限公司	Joint venture
Baohui Real Estate (Hong Kong) Holdings Limited ("Baohui") 寶匯地產(香港)控股有限公司	Joint venture
Shanghai Xingwan Property Co., Ltd. ("Shanghai Xingwan") 上海興萬置業有限公司	Joint venture
Shanghai Xuting Property Co., Ltd. ("Shanghai Xuting") 上海旭亭置業有限公司	Joint venture
Shanghai Hexun Juxin Asset Management Co., Ltd 上海和訊聚信資產管理有限公司	Joint venture
Shanghai Powerlong Zhanyao Enterprises Development Co., Ltd. ("Shanghai Zhanyao") 上海寶龍展耀企業發展有限公司	Joint venture
Fuyang Powerlong Zhanyao Property Co., Ltd. ("Fuyang Zhanyao") 阜陽寶龍展耀置業有限公司	Joint venture
Powerlong Golden Wheel Coral Company Limited ("Golden Wheel") 寶龍金輪珊瑚有限公司	Joint venture
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	Associate
Shanghai Zunchang Investment Management Co., Ltd. ("Shanghai Zunchang") 上海樽昶投資管理有限公司	Associate
Suzhou Macalline Real Estate Co., Ltd ("Suzhou Macalline") 蘇州紅星美凱龍房地產開發有限公司	Associate

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

(i) During the year ended 31 December 2016 and 2015, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Sales of Properties:		
– Ms. Wong Lai Chan	90,046	–
Rental income from related parties:		
– Fuzhou Powerlong Amusement Management Company Limited	3,138	2,939
Property management fee income:		
– Related parties ultimately controlled by Mr. Hoi Kin Hong	776	772
Purchase of office equipment and security intelligentisation system services from related parties:		
– Fujian Ping An Security Devices and Network Limited	52,892	57,876
– Xiamen Powerlong Information Industry Co., Ltd.	2,684	4,064
	55,576	61,940
Hotel accommodation service fee charged by a related party:		
– Macau Powerlong Group	160	707
Sales of construction materials to joint ventures:		
– Golden Wheel	50,892	14,667
– Tianjin Jinjun	18,574	25,888
– Hangzhou Xiaoshan	17,354	5,417
	86,820	45,972
Consultation services provided to joint ventures:		
– Hangzhou Xiaoshan	18,658	11,928
– Golden Wheel	4,345	–
– Shanghai Zhanyao	2,651	–
– Tianjin Jinjun	930	3,791
	26,584	15,719
Guarantees for borrowings to joint ventures:		
– Shanghai Zhanyao	910,000	148,000
– Shanghai Xingwan	421,000	–
– Hangzhou Xiaoshan	420,000	280,000
– Golden Wheel	144,000	632,000
– Tianjin Jinjun	–	1,098,830
	1,895,000	2,158,830

The above transactions were charged in accordance with the terms of the underlying agreements.

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

(ii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB2,825,495,300 at 31 December 2016 (31 December 2015: bank borrowings of RMB4,852,785,300) (Note 20).

(iii) In the opinion of the directors of the Company, the related party transactions were conducted in the ordinary course of business.

(c) Key management compensation

Key management compensation is set out below:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Key management compensation		
– Salaries and other employee benefits	**10,268**	13,339
– Pension costs	**709**	791
	10,977	14,130

(d) Balances with related parties

As at 31 December 2016, the Group had the following material balances with related parties:

	31 December	
	2016 RMB'000	2015 RMB'000
Amounts due from related parties included in other receivables (Note (ii)):		
Amounts due from a related party		
– Powerlong Group Development Co., Ltd.	**21,376**	21,376
Amounts due from joint ventures		
– Shanghai Xingwan	**664,000**	–
– Baohui	**302,164**	267,275
– Shanghai Zhanyao	**110,294**	–
– Golden Wheel	**6,120**	–
	1,082,578	267,275
Amounts due from associates		
– Shanghai Zunchang	**87,500**	–
– Suzhou Macalline	**44,014**	–
	131,514	–
Total amounts due from related parties included in other receivables	**1,235,468**	288,651

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (continued)

	31 December	
	2016 RMB'000	2015 RMB'000
Amounts due to related parties included in trade payables (Note (i)):		
Amounts due to other related parties		
– Fujian Ping An Security Devices and Network Limited	**10,597**	14,080
– Other related entities ultimately controlled by Mr. Hoi Kin Hong	**643**	272
	11,240	14,352
Amounts due to joint ventures		
– Golden Wheel	**13,970**	551
– Tianjin Jinjun	**6,281**	8,240
– Hangzhou Xiaoshan	**1,174**	6,216
	21,425	15,007
Amounts due to an associate		
– Quanzhou Shangquan Industrial Development Co., Ltd.	**–**	2,500
Total amounts due to related parties included in trade payables	**32,665**	31,859
Amounts due to related parties included in other payables (Note (ii)):		
Amounts due to other related parties and ultimate controlling shareholder		
– Great Merchant Limited	**176,486**	184,282
– Mr. Hoi Kin Hong	**32,900**	32,900
– Powerlong Group Development Co., Ltd.	**434**	514,203
– Fuzhou Powerlong Amusement Management Company Limited	**–**	446
	209,820	731,831
Amounts due to joint ventures		
– Shanghai Zhanyao	**1,170,130**	741,786
– Shanghai Xuting	**514,031**	–
– Hangzhou Xiaoshan	**493,083**	303,499
– Baohui	**208,103**	–
– Shanghai Xingwan	**200,000**	–
– Tianjin Jinjun	**189,262**	1,106,480
– Golden Wheel	**21,917**	82,220
	2,796,526	2,233,985
Amounts due to associates		
– Shanghai Zunchang	**88,850**	–
– Quanzhou Shangquan Industrial Development Co., Ltd.	**2,500**	30,034
	91,350	30,034
Total amounts due to related parties included in other payables	**3,097,696**	2,995,850
Amounts due to related parties included in advances from customers (Note (iii)):		
Amounts due to a close family member of ultimate controlling shareholder		
– Ms. Wong Lai Chan	**6,628**	–

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (continued)

(i) Amounts due to related parties included in trade payables are mainly derived from purchase of construction materials, which are unsecured, interest-free and to be settled according to contract terms.

(ii) Amounts due from/to related parties included in other receivables/payables are unsecured, interest-free and repayable on demand, which are cash advances in nature.

(iii) Ms. Wong Lai Chan, the spouse of Mr. Hoi Kin Hong, the ultimate controlling shareholder of the Group, entered into sale and purchase agreements with various PRC subsidiaries of the Group.

(e) Amount due from a director and entities ultimately controlled by the director

Particulars of amounts due from a director of the Company and entities ultimately controlled by the director are as follows:

	31 December		**Maximum amount outstanding for the year ended 31 December**	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Related entities ultimately controlled by Mr. Hoi Kin Hong (Note (d))	**21,376**	21,376	**21,376**	21,418

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2016 are set out below.

Name	Place and date of incorporation/establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
Powerlong Real Estate (BVI) Holdings Limited	British Virgin Islands 20 July 2007	Limited liability company	HK$100	100%	–	Investment holding in British Virgin Islands
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 5 July 2007	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
Wide Evolution Limited	Hong Kong 11 February 2008	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
上海寶龍康晟房地產發展有限公司 Shanghai Powerlong Kangsheng Real Estate Development Co., Ltd.	the PRC 11 August 2011	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
上海寶龍康駿房地產開發有限公司 Shanghai Powerlong Kangjun Real Estate Development Co., Ltd	the PRC 30 July 2013	Limited liability company	RMB196,078,431	93%	7%	Property development and property investment in the PRC
上海康睿房地產發展有限公司 Shanghai Kangrui Real Estate Development Co., Ltd	the PRC 27 January 2014	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
天津寶龍城房地產開發有限公司 Tianjin Powerlong City Real Estate Development Co., Ltd.	the PRC 09 March 2011	Limited liability company	RMB300,000,000	100%	–	Property development and property investment in the PRC
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	the PRC 13 July 2006	Limited liability company	RMB660,000,000	100%	–	Property development and property investment in the PRC
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Development Co., Ltd.	the PRC 25 December 2007	Limited liability company	RMB293,833,329	100%	–	Property development and property investment in the PRC
晉江市晉龍實業發展有限公司 Jinjiang Jinlong Industrial Development Co., Ltd.	the PRC 20 December 2010	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
杭州寶龍房地產開發有限公司 Hangzhou Powerlong Real Estate Development Co., Ltd.	the PRC 14 December 2010	Limited liability company	US$199,900,000	100%	–	Property development and property investment in the PRC
東營寶龍房地產開發有限公司 Dongying Powerlong Real Estate Development Co., Ltd	the PRC 14 February 2014	Limited liability company	RMB338,000,000	82%	18%	Property development and property investment in the PRC
無錫寶龍房地產發展有限公司 Wuxi Powerlong Real Estate Development Co., Ltd.	the PRC 01 November 2006	Limited liability company	US$7,750,000	80%	20%	Property development and property investment in the PRC
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd	the PRC 29 August 2006	Limited liability company	RMB80,000,000	100%	–	Hotel operation in the PRC

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC 21 November 2007	Limited liability company	RMB44,000,000	100%	–	Property development and property investment in the PRC
上海龍潛實業發展有限公司 Shanghai Longqian Industrial Development Co., Ltd.	the PRC 13 November 2013	Limited liability company	RMB10,000,000	82%	18%	Investment holding in the PRC
上海寶龍實業發展有限公司 Shanghai Powerlong Industrial Development Co., Ltd.	the PRC 22 February 2010	Limited liability company	RMB4,183,562,245	100%	–	Investment holding in the PRC
上海瑞龍投資管理有限公司 Shanghai Ruilong Investment Management Co., Ltd.	the PRC 08 June 2010	Limited liability company	RMB105,000,000	100%	–	Investment holding in the PRC
廈門寶龍地產管理有限公司 Xiamen Powerlong Property Management Co., Ltd.	the PRC 16 October 2007	Limited liability company	RMB4,338,000	100%	–	Investment holding in the PRC
寶龍置地發展有限公司 Powerlong Land Development Limited	Hong Kong 03 October 2008	Limited liability company	HK$50,000	82%	18%	Investment holding in Hong Kong
上海寶龍英聚企業發展有限公司 Shanghai Powerlong Yingju Enterprise Development Co., Ltd.	the PRC 25 June 2012	Limited liability company	USD87,500,000	82%	18%	Investment holding in the PRC
上海商盛投資管理諮詢有限公司 Shanghai Shangsheng Management Consulting Co., Ltd.	the PRC 15 December 2010	Limited liability company	USD3,000,000	100%	–	Investment holding in the PRC
上海寶龍物業管理有限公司 Shanghai Powerlong Property Management Co., Ltd.	the PRC 05 April 2007	Limited liability company	RMB5,000,000	100%	–	Property management in the PRC
上海寶龍展飛房地產開發有限公司 Shanghai Powerlong Zhanfei Real Estate Development Co., Ltd	the PRC 09 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development and property investment in the PRC

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
廈門寶龍實業有限公司 Xiamen Powerlong Industrial Development Co., Ltd.	the PRC 25 November 2013	Limited liability company	RMB300,000,000	100%	–	Property development and property investment in the PRC
杭州華展房地產開發有限公司 Hangzhou Huazhan Real Estate Development Co., Ltd	the PRC 04 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development and property investment in the PRC
蚌埠寶龍置業有限公司 Bengbu Powerlong Property Development Co., Ltd.	the PRC 21 February 2006	Limited liability company	RMB10,500,000	100%	–	Property development and property investment in the PRC
福州寶龍房地產發展有限公司 Fuzhou Powerlong Real Estate Development Co., Ltd	the PRC 21 October 2003	Limited liability company	RMB66,104,400	100%	–	Property development and property investment in the PRC
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited	the PRC 03 March 2006	Limited liability company	RMB80,000,000	100%	–	Property development and property investment in the PRC
常州寶龍置業發展有限公司 Changzhou Powerlong Real Estate Development Co., Ltd.	the PRC 30 June 2008	Limited liability company	RMB572,141,200	100%	–	Property development and property investment in the PRC
上海寶龍精駿房地產開發有限公司 Shanghai Powerlong Jingjun Real Estate Development Co., Ltd	the PRC 18 March 2015	Limited liability company	RMB50,000,000	100%	–	Property development and property investment in PRC
上海賢通置業有限公司 Shanghai Xiantong Property Development Co., Ltd.	the PRC 21 February 2012	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in PRC
煙台寶龍置業發展有限公司 Yantai Powerlong Property Development Co., Ltd.	the PRC 06 June 2012	Limited liability company	RMB281,606,216	100%	–	Property development and property investment in the PRC
鎮江寶龍置業發展有限公司 Zhenjiang Powerlong Property Development Co., Ltd.	the PRC 09 November 2011	Limited liability company	RMB635,112,293	69%	31%	Property development and property investment in the PRC

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
煙台寶龍房地產開發有限公司 Yantai Powerlong Real Estate Development Co., Ltd.	the PRC 08 November 2013	Limited liability company	RMB246,824,800	100%	–	Property development and property investment in the PRC
富陽寶龍房地產開發有限公司 Fuyang Powerlong Real Estate Development Co., Ltd.	the PRC 30 October 2013	Limited liability company	RMB210,167,600	82%	18%	Property development and property investment in the PRC
無錫玉祁寶龍置業有限公司 Wuxi Yuqi Powerlong Property Co., Ltd.	the PRC 27 February 2007	Limited liability company	US$15,000,000	100%	–	Property development and property investment in the PRC
上海寶龍瑞勝房地產開發有限公司 Shanghai Powerlong Ruisheng Real Estate Development Co., Ltd	the PRC 07 March 2014	Limited liability company	RMB180,000,000	82%	18%	Property development and property investment in PRC
永春寶龍房地產開發有限公司 Yongchun Powerlong Real Estate Development Co., Ltd	the PRC 15 January 2014	Limited liability company	RMB150,000,000	42%	58%	Property development and property investment in PRC

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available. The subsidiaries established in the PRC in the above list are limited liability companies.

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		6,306,112	6,303,334
Current assets			
Amounts due from subsidiaries		8,603,468	6,450,865
Financial assets at fair value through profit or loss		27,003	–
Restricted cash		70	12,042
Cash and cash equivalents		429,040	452,102
		9,059,581	6,915,009
Total assets		15,365,693	13,218,343
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		2,683,046	2,979,696
Other reserves	(a)	7,988	21,670
Accumulated Losses	(a)	(271,818)	(72,920)
Total equity		2,419,216	2,928,446
LIABILITIES			
Non-current liabilities			
Borrowings		8,078,292	5,582,381
Derivative financial instruments		–	170,907
		8,078,292	5,753,288
Current liabilities			
Other payables and accruals		273,010	53,899
Amounts due to subsidiaries		98,943	102,352
Borrowings		4,385,977	4,309,409
Derivative financial instruments		110,255	70,949
		4,868,185	4,536,609
Total liabilities		12,946,477	10,289,897
Total equity and liabilities		15,365,693	13,218,343

The balance sheet of the Company was approved by the Board of Directors on 20 March 2017 and was signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Accumulated losses RMB'000	Other reserves RMB'000
At 1 January 2015	300,200	54,824
Loss for the year	(158,897)	–
Pre-IPO Share Option Scheme	38,055	(38,055)
Share Award Scheme	–	4,901
Dividends	(252,278)	–
As at 31 December 2015	(72,920)	21,670
At 1 January 2016	**(72,920)**	**21,670**
Loss for the year	**(206,632)**	**–**
Pre-IPO Share Option Scheme	**7,734**	**(7,734)**
Share Award Scheme	**–**	**(5,948)**
Dividends	**–**	**–**
As at 31 December 2016	**(271,818)**	**7,988**

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 December 2016 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Pre-IPO Share Option Scheme RMB'000	Share Award Scheme RMB'000	Total RMB'000
Executive directors							
Mr. Hoi Kin Hong	720	–	240	–	–	99	1,059
Mr. Hoi Wa Fong	480	14	240	–	–	80	814
Mr. Xiao Qing Ping	480	22	240	114	–	85	941
Ms. Shih Sze Ni	360	14	240	40	–	52	706
Mr. Zhang Hong Feng	480	83	240	–	–	19	822
Non-executive directors							
Ms. Hoi Wa Fan	–	–	144	–	–	–	144
Independent non-executive directors							
Mr. Ngai Wai Fung	–	–	192	–	–	–	192
Mr. Mei Jian Ping	–	–	192	–	–	–	192
Mr. Ding Zu Yu	–	–	192	–	–	–	192
	2,520	133	1,920	154	–	335	5,062

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of each director for the year ended 31 December 2015 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowances and benefits RMB'000	Pre-IPO Share Option Scheme RMB'000	Share Award Scheme RMB'000	Total RMB'000
Executive directors							
Mr. Hoi Kin Hong	720	–	240	–	–	293	1,253
Mr. Hoi Wa Fong	480	–	240	–	–	234	954
Mr. Xiao Qing Ping	480	21	240	116	–	242	1,099
Ms. Shih Sze Ni	360	–	240	–	–	150	750
Mr. Zhang Hong Feng	650	80	50	98	–	55	933
Mr. Guo Jun	258	46	180	63	–	–	547
Non-executive directors							
Ms. Hoi Wa Fan	–	–	146	–	–	–	146
Independent non-executive directors							
Mr. Ngai Wai Fung	–	–	195	–	–	–	195
Mr. Mei Jian Ping	–	–	195	–	–	–	195
Mr. Ding Zu Yu	–	–	195	–	–	–	195
	2,948	147	1,921	277	–	974	6,267

Note:

(i) Emoluments above include estimated money value of non-cash benefits: share options, car, insurance premium and club membership.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2016 (2015: nil).

(c) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2016, the Group did not pay consideration to any third parties for making available directors' services (2015: nil).

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

The information about loans, quasi-loans and other dealings entered into by the company or subsidiary undertaking of the company, where applicable, in favour of certain connected entities of Mr. Hoi Kin Hong, a director of the holding company of the company, is as follows:

Name of the borrower	Nature of connection	Total amount payable RMB'000	Outstanding/ aggregate outstanding amounts at the beginning of the year RMB'000	Outstanding/ aggregate outstanding amounts at the end of the year RMB'000	Maximum outstanding during the year RMB'000	Amounts/ aggregate amounts fallen due but not been paid RMB'000	Provisions/ aggregate provisions for doubtful/ bad debts made RMB'000	Term	Interest rate
At 31 December 2016:									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	–	–	Unsecured, interest-free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	–	–		
At 31 December 2015:									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	–	–	Unsecured, interest-free and repayable on demand	nil
Fuzhou Powerlong Amusement Management Company Limited	Ultimately controlled by Mr. Hoi	–	42	–	42	–	–	Unsecured, interest-free and repayable on demand	nil
Total		21,376	21,418	21,376	21,418				

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

40 EVENTS AFTER THE BALANCE SHEET DATE

No material events occurred after the balance sheet date.

Five-year Financial Summary

CONSOLIDATED BALANCE SHEET

	31 December				
	2016 **RMB'000**	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Assets					
Non-current assets	**42,305,100**	34,403,062	29,006,267	23,217,836	21,719,854
Current assets	**36,822,419**	32,259,152	28,147,460	25,285,081	18,487,751
Total assets	**79,127,519**	66,662,214	57,153,727	48,502,917	40,207,605
EQUITY AND LIABILITIES					
Total equity	**25,940,249**	22,758,529	20,609,482	17,646,133	16,499,440
Liabilities					
Non-current liabilities	**26,531,616**	20,491,772	17,689,834	15,042,323	10,741,739
Current liabilities	**26,655,654**	23,411,913	18,854,411	15,814,461	12,966,426
Total liabilities	**53,187,270**	43,903,685	36,544,245	30,856,784	23,708,165
Total equity and liabilities	**79,127,519**	66,662,214	57,153,727	48,502,917	40,207,605

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	**14,295,617**	11,907,300	9,662,995	7,256,938	5,871,763
Cost of sales	**(9,517,476)**	(7,985,447)	(6,880,023)	(5,201,756)	(3,540,058)
Gross profit	**4,778,141**	3,921,853	2,782,972	2,055,182	2,331,705
Fair value gains on investment properties – net	**1,519,884**	1,503,628	599,325	530,672	1,743,684
Selling and marketing costs	**(480,839)**	(486,118)	(395,666)	(240,509)	(208,258)
Administrative expenses	**(756,913)**	(735,212)	(676,140)	(583,970)	(505,331)
Other gains/(losses) – net	**9,857**	(140,586)	(124,963)	95,370	(56,440)
Exchange gains/(losses) – net	**2,343**	(9,178)	4,721	(22,543)	248
Operating profit	**5,072,473**	4,054,387	2,190,249	1,834,202	3,305,608
Finance (costs)/income – net	**(678,968)**	(364,189)	(30,606)	121,023	(29,389)
Share of profit/(loss) of investments accounted for using the equity method	**314,295**	157,659	(709)	108,365	134,079
Profit before income tax	**4,707,800**	3,847,857	2,158,934	2,063,590	3,410,298
Income tax expenses	**(1,958,596)**	(1,512,768)	(651,340)	(663,414)	(1,197,312)
Profit for the year	**2,749,204**	2,335,089	1,507,594	1,400,176	2,212,986
Other comprehensive income					
Revaluation gains on property and equipment and land use rights transferred to investment properties	**–**	–	149,379	–	83,129
Change in value of available-for-sale financial assets	**11,180**	8,549	(259)	344	132
Other comprehensive income for the year, net of tax	**11,180**	8,549	149,120	344	83,261
Total comprehensive income for the year	**2,760,384**	2,343,638	1,656,714	1,400,520	2,296,247
Profit/(loss) attributable to:					
Owners of the Company	**2,464,682**	2,071,110	1,370,828	1,403,536	2,193,852
Holders of Perpetual Capital Instruments	**145,765**	153,100	36,750	–	–
Non-controlling interests	**138,757**	110,879	100,016	(3,360)	19,134
	2,749,204	2,335,089	1,507,594	1,400,176	2,212,986
Total comprehensive income attributable to:					
Owners of the Company	**2,475,862**	2,079,659	1,519,948	1,403,880	2,272,133
Holders of Perpetual Capital Instruments	**145,765**	153,100	36,750	–	–
Non-controlling interests	**138,757**	110,879	100,016	(3,360)	24,114
	2,760,384	2,343,638	1,656,714	1,400,520	2,296,247
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB cents per share)					
– Basic	**62.32**	52.41	34.56	35.00	54.71
– Diluted	**62.22**	52.32	34.54	34.98	54.71

	Year ended 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Dividends	**572,014**	301,397	252,278	–	320,773

* Certain figures have been reclassified to conform to the current presentation.

ANNUAL REPORT

POWERLONG 2016

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