

2017

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



INTERIM REPORT



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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 standards of the citizens and driving the urbanization progress in the People’s Republic of China (“China” or the “PRC”).

The Group owned and operated 72 real estate projects as at 30 June 2017. 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 improvement 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 of the Chairman of the Company, Mr. Hoi Kin Hong, who has instilled his insights and visions since the beginning of our corporate development and driven our 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 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

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong
 Ms. Xiao Ying Lin

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

SMP Partners (Cayman) Limited
 Royal Bank House-3rd Floor
 24 Shedden Road
 P.O. Box 1586
 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
 Bank of China Limited
 China Minsheng Banking Corp., Ltd.
 China Construction Bank Corporation
 Agricultural Bank of China Limited
 China Bohai Bank Co., Ltd.
 China Everbright Bank Co., Ltd.
 Industrial and Commercial Bank of China Limited
 Wing Lung 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

Management Discussion and Analysis

MARKET REVIEW

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

BUSINESS REVIEW

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

Property Development

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

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

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

For the six months ended 30 June 2017

| Distribution | Sales area sq.m. | Sales amount RMB'000 | Average selling price RMB/sq.m. |
|--------------|---------------------|-------------------------|---------------------------------------|
| Commercial | 219,399 | 4,195,745 | 19,124 |
| Residential | 439,047 | 4,865,349 | 11,082 |
| Total | 658,446 | 9,061,094 | 13,761 |

Management Discussion and Analysis

Investment Properties and Property Management Services

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

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

Hotel Development

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

Land Bank Replenishment

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

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

Management Discussion and Analysis

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

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

* Total GFA excludes underground and car parking spaces

OUTLOOK

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

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

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

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

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

Management Discussion and Analysis

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

FINANCIAL REVIEW

Revenue

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

Property Sales

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

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

| | | For the six months ended 30 June 2017 | | |
|------------------------------------|-------------|---------------------------------------|------------------------------------|------------------------------------|
| | | GFA sold & delivered sq.m. | Amount sold & delivered RMB'000 | Average selling price RMB/sq.m. |
| Shanghai Qibao Powerlong City | Commercial | 30,376 | 787,343 | 25,920 |
| Shanghai Hongqiao Powerlong Land | Commercial | 2,272 | 47,230 | 20,788 |
| | Residential | 185 | 3,986 | 21,546 |
| Shanghai Baoshan Powerlong Plaza | Commercial | 468 | 13,358 | 28,543 |
| Shanghai Lingang Powerlong Mansion | Commercial | 276 | 7,104 | 25,739 |
| | Residential | 20,492 | 342,391 | 16,709 |
| Shanghai Wujing Powerlong Plaza | Commercial | 17,920 | 417,368 | 23,291 |
| Shanghai Qingpu Powerlong Plaza | Commercial | 37,854 | 747,335 | 19,743 |
| Shanghai Jiading Powerlong Plaza | Commercial | 1,578 | 52,976 | 33,572 |
| Changzhou Powerlong Plaza | Commercial | 22,198 | 126,638 | 5,705 |

Management Discussion and Analysis

For the six months ended 30 June 2017

| | | GFA sold & delivered sq.m. | Amount sold & delivered RMB'000 | Average selling price RMB/sq.m. |
|--------------------------------------|-------------|-------------------------------|------------------------------------|------------------------------------|
| Wuxi Wangzhuang Powerlong Plaza | Residential | 724 | 3,550 | 4,903 |
| Wuxi Yuqi Powerlong Riverside Garden | Residential | 817 | 3,863 | 4,728 |
| Zhenjiang Powerlong Plaza | Commercial | 11,482 | 53,783 | 4,684 |
| Suzhou Taicang Powerlong Plaza | Commercial | 154 | 965 | 6,266 |
| Huai'an Powerlong Land | Commercial | 7,970 | 61,720 | 7,744 |
| Hangzhou Xiasha Powerlong Plaza | Commercial | 11,382 | 131,239 | 11,530 |
| | Residential | 947 | 17,868 | 18,868 |
| Hangzhou Binjiang Powerlong City | Commercial | 1,814 | 78,305 | 43,167 |
| Hangzhou Fuyang Powerlong Plaza | Commercial | 8,286 | 93,939 | 11,337 |
| | Residential | 1,861 | 21,172 | 11,377 |
| Tianjin Powerlong City | Commercial | 16,335 | 343,088 | 21,003 |
| | Residential | 257,954 | 1,986,010 | 7,699 |
| Dongying Powerlong Plaza | Commercial | 1,367 | 8,816 | 6,449 |
| | Residential | 1,371 | 10,891 | 7,944 |
| Qingdao Licang Powerlong Plaza | Commercial | 285 | 2,686 | 9,425 |
| Qingdao Jimo Powerlong Plaza | Residential | 702 | 2,839 | 4,044 |
| Jiaozhou Powerlong Plaza | Commercial | 22,941 | 123,180 | 5,369 |
| Jiaozhou Powerlong Art Villa | Residential | 30,375 | 296,118 | 9,749 |
| Tai'an Powerlong Plaza | Commercial | 182 | 1,259 | 6,918 |
| Yantai Penglai Powerlong Plaza | Commercial | 6,142 | 52,905 | 8,614 |
| | Residential | 10,795 | 73,233 | 6,784 |
| Yantai Haiyang Powerlong City | Residential | 4,677 | 20,513 | 4,386 |
| Yantai Laishan Powerlong Plaza | Commercial | 7,219 | 52,396 | 7,258 |
| Luoyang Powerlong Plaza | Commercial | 6,755 | 51,185 | 7,577 |
| | Residential | 313 | 1,380 | 4,409 |

Management Discussion and Analysis

For the six months ended 30 June 2017

| | | GFA sold & delivered sq.m. | Amount sold & delivered RMB'000 | Average selling price RMB/sq.m. |
|--|-------------|-------------------------------|------------------------------------|------------------------------------|
| Xinxiang Powerlong Plaza | Commercial | 969 | 2,773 | 2,862 |
| | Residential | 3,835 | 30,248 | 7,887 |
| Chongqing Hechuan Powerlong Plaza | Commercial | 2,099 | 12,549 | 5,979 |
| | Residential | 893 | 3,384 | 3,789 |
| Xiamen Powerlong One Mall | Commercial | 2,411 | 70,594 | 29,280 |
| Quanzhou Anxi Powerlong Plaza | Commercial | 1,723 | 26,490 | 15,374 |
| Quanzhou Jinjiang Powerlong Plaza | Commercial | 266 | 4,358 | 16,383 |
| | Residential | 40,074 | 239,814 | 5,984 |
| Quanzhou Yongchun Powerlong Plaza | Commercial | 1,391 | 9,094 | 6,538 |
| | Residential | 3,187 | 16,687 | 5,236 |
| Zhangzhou Yunxiao General Avenue No. 1 | Commercial | 5,869 | 51,987 | 8,858 |
| | Residential | 7,479 | 37,139 | 4,966 |
| Total | | 616,665 | 6,543,749 | 10,612 |
| | Commercial | 229,984 | 3,432,663 | 14,926 |
| | Residential | 386,681 | 3,111,086 | 8,046 |

Rental Income from Investment Properties and Income from Property Management Services

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

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

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

Management Discussion and Analysis

Income from Other Property Development Related Services

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

Cost of Sales

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

Gross Profit and Margin

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

Fair Value Gains on Investment Properties

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

Selling and Marketing Costs and Administrative Expenses

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

Share of Profit of Investments Accounted for Using the Equity Method

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

Income Tax Expenses

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

Management Discussion and Analysis

Profit Attributable to Owners of the Company

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

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

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

Borrowings

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

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

Net Gearing Ratio

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

Borrowing Costs

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

Credit Policy

Trade receivables mainly arises from the 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.

Management Discussion and Analysis

Pledge of Assets

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

Contingent Liabilities

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

Financial Guarantees

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

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

Commitments

(1) Commitments for property development expenditures

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

(2) Operating leases commitments

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

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

Management Discussion and Analysis

Foreign Currency Risk

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

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 June 2017, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

EMPLOYEES AND EMOLUMENT POLICY

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

INTERIM DIVIDEND

Payment of Interim Dividend

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

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

Closure of Register of Members

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

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

Disclosure of Interests

SHARE OPTION SCHEME

Pursuant to the shareholder's resolutions of the Company passed on 16 September 2009, the Company has adopted a share option scheme (the "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.

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 contributions the Eligible Participants (as defined in paragraph 2 below) 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 the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants 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; and
- (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 30 June 2017:

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 30 June 2017).

Disclosure of Interests

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"); and
- (ii) the approval of the shareholders at general meeting and/or other requirements prescribed under the Listing Rules from time to time and in 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 the 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 shall not be more than 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 except 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 offer, upon payment of HK\$1 per grant.

8. The basis of determining the exercise price:

Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary share.

9. The remaining life of the Share Option Scheme:

It will remain in force for a period of 10 years, commencing on 16 September 2009.

Since the adoption of the Share Option Scheme and up to 30 June 2017, no options had been granted under the Share Option Scheme.

Disclosure of Interests

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 share award was granted under the Share Award Scheme during the period 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 (the "Scheme Rules") 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 (as defined in the Scheme Rules) pursuant to the Scheme Rules. Please refer to the announcements 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 (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) is set forth below:

| Name of Awardees | No. of Awarded Shares | | Total |
|--|---------------------------|---------------------------|-----------|
| | Granted on 6 June 2013 | Granted on 29 May 2014 | |
| 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 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 have been vested in the respective Eligible Employees on 1 July 2017.

Disclosure of Interests

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

As at 30 June 2017, 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Long position in shares and underlying shares of the Company

| Name of Directors | Number of ordinary shares | | | | Total | Approximate percentage of interests to the issued share capital of the Company (Note 2) |
|---------------------|---------------------------|---------------------|---------------------------------------|--------------------------|---------------|---|
| | Personal interests | Interests of spouse | Interests of a controlled corporation | Other Interests (Note 1) | | |
| Mr. Hoi Kin Hong | 27,972,000 | 2,800,000 | 1,805,637,000 (Note 3) | 493,000 | 1,836,902,000 | 45.95% |
| Mr. Hoi Wa Fong | 8,595,000 | 503,400 | 578,400,000 (Note 4) | 393,000 | 587,891,400 | 14.71% |
| Mr. Xiao Qing Ping | 405,850 | – | – | 405,850 | 811,700 | 0.02% |
| Ms. Shih Sze Ni | 251,700 | 587,388,000 | – | 251,700 | 587,891,400 | 14.71% |
| Mr. Zhang Hong Feng | 92,150 | – | – | 92,150 | 184,300 | 0.01% |
| Ms. Hoi Wa Fan | – | – | 149,480,000 (Note 5) | – | 149,480,000 | 3.74% |

Notes:

1. These represented 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 percentages have been compiled based on the total number of issued shares (i.e. 3,997,303,000 shares) as at 30 June 2017.
3. These shares are held by Skylong Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Kin Hong.
4. These shares are held by Sky Infinity Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Wa Fong.
5. 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 30 June 2017, none of the Directors or chief executive of the Company 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.

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2017, the interests of substantial shareholders, other than a director or chief executive of the Company, in the shares and underlying 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) |
|---|----------------------------------|---|---|
| Skylong Holdings Limited (Note 3) | Beneficial owner | 1,805,637,000 | 45.17% |
| Sky Infinity Holdings Limited (Note 4) | Beneficial owner | 578,400,000 | 14.47% |
| Wason Holdings Limited | Beneficial owner | 202,000,000 | 5.05% |

Notes:

- All the interests represent long positions.
- These percentages have been compiled based on the total number of issued shares (i.e. 3,997,303,000 shares) as at 30 June 2017.
- Skylong Holdings Limited is wholly and beneficially owned by Mr. Hoi Kin Hong.
- Sky Infinity Holdings Limited is wholly and beneficially owned by Mr. Hoi Wa Fong.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Facility Agreement dated 20 May 2016

On 20 May 2016, the Company as borrower, certain of its subsidiaries as guarantors and Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited and Wing Lung Bank, Limited as lenders entered into a facility agreement (the "2016 Facility Agreement") in relation to a 3-year term loan facility of up to US\$120,000,000 at an interest rate of London Interbank Offered Rate plus 4% (the "2016 Facility"). Pursuant to the 2016 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. Details of the 2016 Facility are set out in the announcement of the Company dated 20 May 2016.

Facility Agreement dated 29 August 2017

On 29 August 2017, the Company as borrower, certain of its subsidiaries as guarantors and Bank of China (Hong Kong) Limited, Wing Lung Bank, Limited, The Bank of East Asia, Limited and Tai Fung Bank Limited as lenders entered into a facility agreement (the "2017 Facility Agreement") in relation to a 3-year term loan facility in multiple currencies and tranches of up to US\$200,000,000 equivalent (the "2017 Facility"). Pursuant to the 2017 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. Details of the 2017 Facility are set out in the announcement of the Company dated 29 August 2017.

Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures for enhancing investor confidence in the Company and the Company's accountability. The Company reviews its corporate governance practices from time to time to ensure they comply with all applicable code provisions as set out in Appendix 14 to the Listing Rules ("CG Code") and align with the latest developments.

COMPLIANCE WITH THE CG CODE

Throughout the six months ended 30 June 2017, the Company has complied with all applicable code provisions set out in the CG Code.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 six months ended 30 June 2017.

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 inside information of the Company or its securities due to their offices or employment, are also subject to compliance with written guidelines on securities transactions no less exacting than the Model Code.

During the six months ended 30 June 2017, no incident of non-compliance was noted by the Company.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") in compliance with Rule 3.21 of Listing Rules to, amongst others, review the Group's financial information and oversee the Group's financial reporting system, risk management and internal control procedures. The Audit Committee also assists the Board and its Chairman in performing the corporate governance functions of the Company.

The Audit Committee comprises three members who are the independent non-executive Directors of the Company, namely Mr. Ngai Wai Fung, Mr. Mei Jian Ping and Mr. Ding Zu Yu. The Chairman of the Audit Committee, Mr. Ngai Wai Fung, possesses appropriate professional qualifications, accounting and related financial management expertise.

The Audit Committee has reviewed the interim report for the six months ended 30 June 2017 in conjunction with the Company's management and external auditor. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

ANNUAL GENERAL MEETING

The Chairman of the Board, most of the Directors, the Chairmen of Audit Committee, the Remuneration Committee, the Nomination Committee and the external auditor were present at the annual general meeting of the Company held on 22 May 2017.

UPDATE ON INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the update on the biographical details of the Directors are as follows: Mr. Ngai Wai Fung retired as independent non-executive director of China Coal Energy Company Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1898) and the Shanghai Stock Exchange (stock code: 601898)) on 26 June 2017, and retired as independent non-executive director of China Railway Group Limited (a company listed on the Main Board of the Stock Exchange (stock code: 390) and the Shanghai Stock Exchange (stock code: 601390)) on 28 June 2017.

Save as disclosed above, the Company is not aware of any other information which is required to be disclosed in this report pursuant to Rule 13.51B(1) of the Listing Rules.

Condensed Consolidated Interim Balance Sheet

| | | 30 June 2017 Unaudited RMB'000 | 31 December 2016 Audited RMB'000 |
|---|------|---|---|
| | Note | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 6 | 2,879,990 | 2,797,942 |
| Land use rights | 6 | 1,035,128 | 1,050,746 |
| Investment properties | 7 | 36,110,780 | 34,353,397 |
| Investments accounted for using the equity method | 13 | 3,740,496 | 2,605,100 |
| Deferred income tax assets | | 416,731 | 359,998 |
| Available-for-sale financial assets | 12 | 453,507 | 413,250 |
| Prepayments | 11 | 828,063 | 724,667 |
| | | 45,464,695 | 42,305,100 |
| Current assets | | | |
| Properties under development | 8 | 9,152,548 | 8,940,371 |
| Completed properties held for sale | 9 | 11,152,487 | 11,302,986 |
| Trade and other receivables | 10 | 4,839,805 | 4,568,119 |
| Prepayments | 11 | 1,146,665 | 1,417,199 |
| Prepaid taxes | | 382,633 | 418,440 |
| Financial assets at fair value through profit or loss | | 43,501 | 27,003 |
| Restricted cash | 14 | 810,201 | 1,174,497 |
| Cash and cash equivalents | 15 | 8,387,421 | 8,973,804 |
| | | 35,915,261 | 36,822,419 |
| Total assets | | 81,379,956 | 79,127,519 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital and share premium | 16 | 2,132,738 | 2,683,046 |
| Other reserves | 17 | 678,969 | 654,900 |
| Retained earnings | | 20,770,692 | 19,280,371 |
| | | 23,582,399 | 22,618,317 |
| Perpetual Capital Instruments | 18 | 1,499,462 | 1,730,075 |
| Non-controlling interests | | 1,415,232 | 1,591,857 |
| Total equity | | 26,497,093 | 25,940,249 |

Condensed Consolidated Interim Balance Sheet

| | | 30 June 2017 Unaudited RMB'000 | 31 December 2016 Audited RMB'000 |
|-------------------------------------|------|---|---|
| | Note | | |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 19 | 23,411,611 | 22,490,090 |
| Deferred income tax liabilities | | 4,219,849 | 4,041,526 |
| | | 27,631,460 | 26,531,616 |
| Current liabilities | | | |
| Trade and other payables | 20 | 11,906,954 | 11,234,343 |
| Advances from customers | | 2,627,978 | 4,073,472 |
| Current income tax liabilities | | 4,028,129 | 3,701,501 |
| Borrowings | 19 | 8,620,470 | 7,536,083 |
| Derivative financial instruments | | 67,872 | 110,255 |
| | | 27,251,403 | 26,655,654 |
| Total liabilities | | 54,882,863 | 53,187,270 |
| Total equity and liabilities | | 81,379,956 | 79,127,519 |

Hoi Kin Hong
Director

Hoi Wa Fong
Director

The notes on pages 26 to 64 form an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

| | | Six months ended 30 June | |
|--|-------|--------------------------|-------------|
| | | 2017 | 2016 |
| | | Unaudited | Unaudited |
| | | RMB'000 | RMB'000 |
| | Note | | |
| Revenue | 5 | 7,631,035 | 6,224,713 |
| Cost of sales | 21 | (4,867,477) | (3,912,165) |
| Gross profit | | 2,763,558 | 2,312,548 |
| Fair value gains on investment properties – net | 7 | 635,750 | 571,426 |
| Selling and marketing costs | 21 | (254,228) | (227,377) |
| Administrative expenses | 21 | (482,962) | (444,025) |
| Other gains – net | | 71,048 | 53,760 |
| Exchange gains – net | | 682 | 1,620 |
| Operating profit | | 2,733,848 | 2,267,952 |
| Finance costs – net | 22 | (189,342) | (289,501) |
| Share of profit of investments accounted for using the equity method | 13 | 86,721 | 138,063 |
| Profit before income tax | | 2,631,227 | 2,116,514 |
| Income tax expenses | 23 | (1,084,184) | (908,340) |
| Profit for the period | | 1,547,043 | 1,208,174 |
| Other comprehensive income | | | |
| <i>Items that may be subsequently reclassified to profit or loss:</i> | | | |
| Change in fair value of available-for-sale financial assets, net of tax | 12,17 | 30,193 | (257) |
| Total other comprehensive income for the period, net of tax | | 30,193 | (257) |
| Total comprehensive income for the period | | 1,577,236 | 1,207,917 |
| Profit attributable to: | | | |
| Owners of the Company | | 1,490,321 | 1,101,360 |
| Holders of Perpetual Capital Instruments | | 40,222 | 70,155 |
| Non-controlling interests | | 16,500 | 36,659 |
| | | 1,547,043 | 1,208,174 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 1,520,514 | 1,101,103 |
| Holders of Perpetual Capital Instruments | | 40,222 | 70,155 |
| Non-controlling interests | | 16,500 | 36,659 |
| | | 1,577,236 | 1,207,917 |
| Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share) | 24 | | |
| – Basic | | 37.656 | 27.869 |
| – Diluted | | 37.614 | 27.807 |

The notes on pages 26 to 64 form an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

| | Attributable to owners of the Company | | | | | | |
|---|---------------------------------------|-------------------|----------------------|-------------------|-------------------------------------|----------------------------------|-------------------|
| | Share capital and share premium | Other reserves | Retained earnings | Total | Perpetual Capital Instruments | Non- controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Note 16) | (Note 17) | | | | | |
| Six months ended | | | | | | | |
| 30 June 2017 (Unaudited) | | | | | | | |
| Balance at 1 January 2017 | 2,683,046 | 654,900 | 19,280,371 | 22,618,317 | 1,730,075 | 1,591,857 | 25,940,249 |
| Comprehensive income: | | | | | | | |
| Profit for the period | - | - | 1,490,321 | 1,490,321 | 40,222 | 16,500 | 1,547,043 |
| Other comprehensive income for the period | - | 30,193 | - | 30,193 | - | - | 30,193 |
| Total comprehensive income for the period | - | 30,193 | 1,490,321 | 1,520,514 | 40,222 | 16,500 | 1,577,236 |
| Transactions with owners: | | | | | | | |
| Dividends | (550,308) | - | - | (550,308) | - | - | (550,308) |
| Share Award Scheme – Value of employee services | - | 751 | - | 751 | - | - | 751 |
| Issuance of Perpetual Capital Instruments | - | - | - | - | 469,609 | - | 469,609 |
| Redemption of Perpetual Capital Instruments | - | - | - | - | (700,000) | - | (700,000) |
| Distribution to holders of Perpetual Capital Instruments | - | - | - | - | (40,444) | - | (40,444) |
| Acquisition of interest in a subsidiary | - | (6,875) | - | (6,875) | - | (193,125) | (200,000) |
| Total transactions with owners | (550,308) | (6,124) | - | (556,432) | (270,835) | (193,125) | (1,020,392) |
| Balance at 30 June 2017 | 2,132,738 | 678,969 | 20,770,692 | 23,582,399 | 1,499,462 | 1,415,232 | 26,497,093 |

Condensed Consolidated Interim Statement of Changes in Equity

| | Attributable to owners of the Company | | | | | | |
|--|---|---|---------------------------------|------------------|--|---|----------------------------|
| | Share capital and share premium RMB'000 (Note 16) | Other reserves RMB'000 (Note 17) | Retained earnings RMB'000 | Total RMB'000 | Perpetual Capital Instruments RMB'000 | Non- controlling interests RMB'000 | Total equity RMB'000 |
| Six months ended | | | | | | | |
| 30 June 2016 (Unaudited) | | | | | | | |
| 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 period | – | – | 1,101,360 | 1,101,360 | 70,155 | 36,659 | 1,208,174 |
| Other comprehensive income for the period | – | (257) | – | (257) | – | – | (257) |
| Total comprehensive income for the period | – | (257) | 1,101,360 | 1,101,103 | 70,155 | 36,659 | 1,207,917 |
| Transactions with owners: | | | | | | | |
| Dividends | (297,975) | – | – | (297,975) | – | (8,924) | (306,899) |
| Share Award Scheme – Value of employee services | – | 1,976 | – | 1,976 | – | – | 1,976 |
| Distribution to holders of Perpetual Capital Instruments | – | – | – | – | (64,165) | – | (64,165) |
| Total transactions with owners | (297,975) | 1,976 | – | (295,999) | (64,165) | (8,924) | (369,088) |
| Balance at 30 June 2016 | 2,681,721 | 658,105 | 17,910,263 | 21,250,089 | 1,311,151 | 1,036,118 | 23,597,358 |

The notes on pages 26 to 64 form an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

| | | | Six months ended 30 June | | |
|---|------|------------------------------|------------------------------|--|--|
| | Note | 2017 Unaudited RMB'000 | 2016 Unaudited RMB'000 | | |
| Cash flows from operating activities | | | | | |
| Cash generated from operations | | 934,158 | 1,800,954 | | |
| PRC corporate income tax paid | | (407,924) | (293,134) | | |
| PRC land appreciation tax paid | | (237,165) | (176,995) | | |
| Interest paid | | (736,931) | (772,179) | | |
| Cash (used in)/generated from operating activities – net | | (447,862) | 558,646 | | |
| Cash flows from investing activities | | | | | |
| Payments for addition of property and equipment | | (158,345) | (172,645) | | |
| Payments for addition of land use rights | | (380,660) | (163,965) | | |
| Payments for addition of investment properties | | (353,454) | (961,473) | | |
| Prepayments for equity investments | | (828,063) | (661,876) | | |
| Disposal of investment properties | | 41,369 | 8,966 | | |
| Proceeds from disposal of equipment | | 131 | 201 | | |
| Investments in joint ventures and an associate | | (336,256) | – | | |
| Cash advances made to related parties | | (442,910) | – | | |
| Collection of cash advances from related parties | | 407,052 | – | | |
| Other cash generated from investing activities – net | | – | 191,952 | | |
| Cash used in investing activities – net | | (2,051,136) | (1,758,840) | | |
| Cash flows from financing activities | | | | | |
| Proceeds from borrowings | | 6,225,591 | 10,357,172 | | |
| Repayments of borrowings | | (4,249,046) | (6,718,878) | | |
| Decrease in guarantee deposits | | 270,257 | 44,212 | | |
| Cash advances from related parties | | 1,181,332 | 470,853 | | |
| Repayments of cash advances to related parties | | (492,589) | (813,438) | | |
| Issuance of Perpetual Capital Instruments | | 469,609 | – | | |
| Redemption of Perpetual Capital Instruments | | (700,000) | – | | |
| Distribution to the holders of Perpetual Capital Instruments | | (40,444) | (64,165) | | |
| Acquisition of interest in a subsidiary | | (200,000) | – | | |
| Redemption of senior notes | | – | (1,731,511) | | |
| Dividends paid to non-controlling interests | | – | (8,924) | | |
| Dividends paid to owners of the Company | | (550,308) | – | | |
| Cash generated from financing activities – net | | 1,914,402 | 1,535,321 | | |
| Net (decrease)/increase in cash and cash equivalents | | | | | |
| Cash and cash equivalents at beginning of the period | | 8,973,804 | 5,639,843 | | |
| Effect of foreign exchange rate changes | | (1,787) | 7,209 | | |
| Cash and cash equivalents at end of the period | 15 | 8,387,421 | 5,982,179 | | |

The notes on pages 26 to 64 form an integral part of this unaudited condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

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, Uglan 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.

This condensed consolidated interim financial information for the six months ended 30 June 2017 ("Interim Financial Information") has been approved for issue by the board of directors (the "Board") of the Company on 23 August 2017.

The Interim Financial Information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

(a) Amended standards and interpretations adopted by the Group

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

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

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

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

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

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

The Hong Kong Institute of Certified Public Accountants 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. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(b) (continued)

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

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
- 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 six months.

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

3 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2016, with the exception of changes in estimates that are required in determining the provision for income taxes.

Notes to the Condensed Consolidated Interim Financial Information

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's businesses are principally conducted in RMB. As at 30 June 2017, major non-RMB assets and liabilities mainly comprised the borrowings denominated in US\$ or HK\$ totalling RMB4,587 million (as at 31 December 2016: RMB3,837 million). The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management department or in any risk management policies since year end.

4.2 Liquidity risk

Compared to 31 December 2016, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4.3 Fair value estimation

The different levels of fair value estimation have been defined 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).

Notes to the Condensed Consolidated Interim Financial Information

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2017 and 31 December 2016.

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|--------------------|--------------------|--------------------|------------------|
| At 30 June 2017 | | | | |
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | 43,501 | – | – | 43,501 |
| Available-for-sale financial assets (Note 12) | – | – | 453,507 | 453,507 |
| Total | 43,501 | – | 453,507 | 497,008 |
| Financial liabilities: | | | | |
| Derivative financial instruments | – | 67,872 | – | 67,872 |
| 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 12) | – | – | 413,250 | 413,250 |
| Total | 27,003 | – | 413,250 | 440,253 |
| Financial liabilities: | | | | |
| Derivative financial instruments | – | 110,255 | – | 110,255 |

There were no transfers between levels during the period.

Notes to the Condensed Consolidated Interim Financial Information

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 consider most of the Group’s consolidated revenue and results are attributable to the market in the PRC and the Group’s consolidated assets are substantially located in the PRC, no geographical information is presented.

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

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

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

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

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

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

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

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

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

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

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

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

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

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

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

Segment liabilities consist of operating liabilities.

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

Notes to the Condensed Consolidated Interim Financial Information

6 PROPERTY AND EQUIPMENT AND LAND USE RIGHTS

| | Property and equipment RMB'000 | Land use rights RMB'000 |
|---|--------------------------------------|-------------------------------|
| Six months ended 30 June 2017 | | |
| Opening net book amounts as at 1 January 2017 | 2,797,942 | 1,050,746 |
| Additions | 157,752 | – |
| Disposals | (131) | – |
| Depreciation/amortisation charges | (75,573) | (15,618) |
| Closing net book amounts as at 30 June 2017 | 2,879,990 | 1,035,128 |
| Six months ended 30 June 2016 | | |
| Opening net book amounts as at 1 January 2016 | 2,354,664 | 1,033,527 |
| Additions | 232,744 | 60,753 |
| Disposals | (201) | – |
| Depreciation/amortisation charges | (67,424) | (17,164) |
| Closing net book amounts as at 30 June 2016 | 2,519,783 | 1,077,116 |

As at 30 June 2017, properties with net book amounts totalling RMB1,088,842,000 (31 December 2016: RMB1,252,754,000) and land use rights of RMB716,165,000 (31 December 2016: RMB756,337,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2017 was 5.17% (six months ended 30 June 2016: 6.40%).

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.

Notes to the Condensed Consolidated Interim Financial Information

7 INVESTMENT PROPERTIES

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

Investment properties as at 30 June 2017 are held in the PRC on leases between 10 to 50 years (31 December 2016: same).

The capitalisation rate of borrowings for the six months ended 30 June 2017 was 5.17% (six months ended 30 June 2016: 6.40%).

As at 30 June 2017, investment properties of RMB18,043,910,000 (31 December 2016: RMB18,762,442,000) were pledged as collateral for the Group's borrowings (Note 19).

Notes to the Condensed Consolidated Interim Financial Information

7 INVESTMENT PROPERTIES (continued)

(i) Fair value hierarchy

An independent valuation of the Group's certain completed investment properties and investment properties under construction was performed by the valuer, Savills Valuation and Professional Services Limited, who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investments properties valued, to determine the fair value of the investment properties as at 30 June 2017. The revaluation gains or losses are included in 'Fair value gains on investment properties – net' in the statement of comprehensive income.

As at 30 June 2017, as certain of significant inputs used in the determination of fair value of investment properties are derived from unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy.

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

(ii) Valuation processes of the Group

The Group's certain investment properties were valued at 30 June 2017 by the valuers. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews 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 interim and annual reporting dates.

(iii) Valuation techniques

The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Completed investment properties comprise commercial properties and carparks. For commercial properties, fair values are generally derived using the term and reversion 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 reversion yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversion yields are derived from analysis 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. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, locations, etc.

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.

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

Notes to the Condensed Consolidated Interim Financial Information

8 PROPERTIES UNDER DEVELOPMENT

| | 30 June 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|----------------------------|--------------------------------|
| Properties under development include: | | |
| – Construction costs and capitalised expenditures | 1,885,560 | 2,378,562 |
| – Interests capitalised | 1,764,919 | 1,855,739 |
| – Land use rights | 5,502,069 | 4,706,070 |
| | 9,152,548 | 8,940,371 |
| Land use rights: | | |
| Outside Hong Kong, held on leases of | | |
| – Over 50 years | 1,088,834 | 1,469,071 |
| – Between 10 to 50 years | 4,413,235 | 3,236,999 |
| | 5,502,069 | 4,706,070 |

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 30 June 2017, properties under development of approximately RMB3,278,040,000 (31 December 2016: RMB3,522,892,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2017 was 5.17% (six months ended 30 June 2016: 6.40%).

9 COMPLETED PROPERTIES HELD FOR SALE

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

As at 30 June 2017, completed properties held for sale of approximately RMB2,504,109,000 (31 December 2016: RMB2,188,895,000) were pledged as collateral for the Group's borrowings (Note 19).

Notes to the Condensed Consolidated Interim Financial Information

10 TRADE AND OTHER RECEIVABLES

| | 30 June 2017 RMB'000 | 31 December 2016 RMB'000 |
|--|----------------------------|--------------------------------|
| Trade receivables – Third parties (Note (a)) | 1,279,213 | 1,518,093 |
| Less: provision for impairment of trade receivables (Note (a)) | (20,413) | (20,945) |
| Trade receivables – net | 1,258,800 | 1,497,148 |
| Deposits for acquisition of land use rights | 533,200 | 514,610 |
| Other receivables | 3,047,805 | 2,556,361 |
| – Related parties (Note 28 (c)) | 1,271,326 | 1,235,468 |
| – Third parties | 1,776,479 | 1,320,893 |
| | 4,839,805 | 4,568,119 |

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

10 TRADE AND OTHER RECEIVABLES (continued)

(a) (continued)

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

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

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

(b) As at 30 June 2017 and 31 December 2016, 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. Except for those disclosed in Note 10(a), no material trade and other receivables were impaired or past due as at 30 June 2017 and 31 December 2016.

(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.

11 PREPAYMENTS

| | 30 June 2017 RMB'000 | 31 December 2016 RMB'000 |
|--|----------------------------|--------------------------------|
| Current portion | | |
| Prepayments for acquisition of land use rights (Note (a)) | 1,008,633 | 1,356,043 |
| Prepayments for purchase of construction materials – third parties | 138,032 | 61,156 |
| | 1,146,665 | 1,417,199 |
| Non-current portion | | |
| Prepayments for equity investments (Note (b)) | 828,063 | 724,667 |
| | 1,974,728 | 2,141,866 |

(a) Payments on land acquisitions were made in accordance with the payment terms as stipulated in the land acquisition contracts. The relevant land use rights certificates have not been obtained as at 30 June 2017. The land acquisition costs which are contracted but not provided for are included in commitments (Note 27 (a)).

(b) During the period, the Group prepaid RMB828,063,000 for the acquisition of equity interest in three unlisted companies in the PRC.

Notes to the Condensed Consolidated Interim Financial Information

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the condensed consolidated interim balance sheet are as follows:

| | 30 June 2017 RMB'000 | 31 December 2016 RMB'000 |
|---------------------------------|----------------------------|--------------------------------|
| Non-current portion: | | |
| Investments in joint ventures | 3,165,071 | 2,276,948 |
| Investments in associates | 575,425 | 328,152 |
| | 3,740,496 | 2,605,100 |
| Current portion (Note 28(c)): | | |
| Amounts due to associates | (2,535) | (91,350) |
| Amounts due from associates | 181,679 | 131,514 |
| Amounts due to joint ventures | (3,301,318) | (2,817,951) |
| Amounts due from joint ventures | 1,068,271 | 1,082,578 |
| | (2,053,903) | (1,695,209) |

Amounts due from/to associates and joint ventures are unsecured, interest-free and repayable on demand.

The amounts recognised in the profit and loss accounts are as follows:

| | Six months ended 30 June | |
|----------------|--------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Joint ventures | 119,448 | 138,477 |
| Associates | (32,727) | (414) |
| | 86,721 | 138,063 |

(a) Joint ventures

| | Six months ended 30 June | |
|-----------------------------------|--------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| At 1 January | 2,276,948 | 1,488,849 |
| Additions (Note (i)) | 780,923 | 407,880 |
| Share of profits | 119,448 | 138,477 |
| Elimination of unrealised profits | (12,248) | (2,513) |
| At 30 June | 3,165,071 | 2,032,693 |

Notes to the Condensed Consolidated Interim Financial Information

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(a) Joint ventures (continued)

- (i) During the period, the Group acquired 50% and 49% equity interests in two property development companies which are located in Zhejiang, the PRC and New Jersey, the U.S.A., respectively.
- (ii) The Group's share of the results in joint ventures and their aggregated assets and liabilities are shown below:

| | 30 June 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|----------------------------|--------------------------------|
| Total assets | 17,869,428 | 13,820,500 |
| Total liabilities | 12,254,787 | 9,500,581 |
| Net assets | 5,614,641 | 4,319,919 |
| Less: equity attributable to the joint venture partners | (2,417,499) | (1,997,009) |
| Less: elimination of unrealised profits | (58,209) | (45,962) |
| Interests in joint ventures | 3,138,933 | 2,276,948 |
| Goodwill | 26,138 | – |
| Carrying amount | 3,165,071 | 2,276,948 |

(b) Associates

| | Six months ended 30 June | |
|----------------------|--------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| At 1 January | 328,152 | 35,100 |
| Additions (Note (i)) | 280,000 | – |
| Share of losses | (32,727) | (414) |
| At 30 June | 575,425 | 34,686 |

- (i) During the period, the Group acquired 50% equity interests in a property development company in Shanghai, the PRC at a consideration of RMB280 million.

Notes to the Condensed Consolidated Interim Financial Information

14 RESTRICTED CASH

| | 30 June 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|----------------------------|--------------------------------|
| Guarantee deposits for construction projects (Note (a)) | 395,068 | 335,170 |
| Guarantee deposits for bank acceptance notes (Note (b)) | 3,408 | 169,703 |
| Guarantee deposits for bank borrowings (Note (c)) | 335,307 | 637,064 |
| Others | 76,418 | 32,560 |
| | 810,201 | 1,174,497 |
| Denominated in | | |
| – RMB | 806,274 | 1,174,431 |
| – HK\$ | 3,864 | – |
| – US\$ | 63 | 66 |
| | 810,201 | 1,174,497 |

- (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 construction 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 construction of the related pre-sold properties.
- (b) As at 30 June 2017, the Group placed cash deposits of approximately RMB3,408,000 (31 December 2016: RMB169,703,000) with designated banks as guarantee for the issuance of bank acceptance notes.
- (c) As at 30 June 2017, the Group placed cash deposits of approximately RMB335,307,000 (31 December 2016: RMB637,064,000) with designated banks as security for bank borrowings (Note 19).

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.

15 CASH AND CASH EQUIVALENTS

| | 30 June 2017 RMB'000 | 31 December 2016 RMB'000 |
|---------------------------|----------------------------|--------------------------------|
| Cash at bank and in hand: | | |
| – Denominated in RMB | 8,377,584 | 8,963,243 |
| – Denominated in US\$ | 5,774 | 7,036 |
| – Denominated in HK\$ | 4,063 | 3,525 |
| | 8,387,421 | 8,973,804 |

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.

Notes to the Condensed Consolidated Interim Financial Information

16 SHARE CAPITAL AND SHARE PREMIUM

| | Number of ordinary shares | Share capital RMB'000 | Share premium RMB'000 (Note 25) | Shares held for Share Award Scheme RMB'000 (Note (a)) | Total RMB'000 |
|------------------------------------|------------------------------|-----------------------------|--|---|------------------|
| Authorised: | | | | | |
| At 1 January 2017 and 30 June 2017 | 30,000,000,000 | | | | |
| Issued and fully paid: | | | | | |
| As at 1 January 2017 | 3,997,303,000 | 35,486 | 2,726,786 | (79,226) | 2,683,046 |
| Dividends | – | – | (550,308) | – | (550,308) |
| As at 30 June 2017 | 3,997,303,000 | 35,486 | 2,176,478 | (79,226) | 2,132,738 |

- (a) On 2 December 2010 (the "Adoption Date"), the Board approved and 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 and directors for the employees and directors until they are vested. Unless early terminated by the Board, 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.

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 rules 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.

As at 30 June 2017 and 31 December 2016, the total unvested shares held by the Share Award Scheme Trust was 39,549,950.

Notes to the Condensed Consolidated Interim Financial Information

17 OTHER RESERVES

| | Merger reserve RMB'000 <i>(Note (a))</i> | Statutory reserves RMB'000 <i>(Note (b))</i> | Share-based compensation reserves RMB'000 | Revaluation reserves RMB'000 <i>(Note (d))</i> | Transaction with non- controlling interests RMB'000 | Total RMB'000 |
|--|---|---|--|---|---|------------------|
| At 1 January 2017 | 337,203 | 53,686 | 7,988 | 247,542 | 8,481 | 654,900 |
| Revaluation – net of tax | – | – | – | 30,193 | – | 30,193 |
| Acquisition of interest in a subsidiary | – | – | – | – | (6,875) | (6,875) |
| Share Award Scheme <i>(Note (c))</i> | – | – | 751 | – | – | 751 |
| At 30 June 2017 | 337,203 | 53,686 | 8,739 | 277,735 | 1,606 | 678,969 |
| At 1 January 2016 | 337,203 | 52,738 | 21,670 | 236,294 | 8,481 | 656,386 |
| Share Award Scheme <i>(Note (c))</i> | – | – | 1,976 | – | – | 1,976 |
| Revaluation – net of tax | – | – | – | (257) | – | (257) |
| At 30 June 2016 | 337,203 | 52,738 | 23,646 | 236,037 | 8,481 | 658,105 |

(a) Merger reserve

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.

(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 equity owners in form of bonus issue.

Notes to the Condensed Consolidated Interim Financial Information

17 OTHER RESERVES (continued)

(c) Share Award Scheme

Movements in the number of awarded shares for the six months ended 30 June 2017 and 2016 were as follows:

| | Number of awarded shares |
|------------------------------------|--------------------------------|
| At 1 January 2017 and 30 June 2017 | <u>4,417,950</u> |
| At 1 January 2016 | 11,045,700 |
| Forfeited | <u>(675,400)</u> |
| At 30 June 2016 | <u>10,370,300</u> |

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.

Particulars of awarded shares as at 30 June 2017 and 31 December 2016 are as follows:

| Dates of grant | Vesting date | Market price at grant dates HK\$/share | Number of awarded shares as at 30 June 2017 and 31 December 2016 |
|----------------|--------------|--|--|
| 6 June 2013 | 1 July 2017 | 1.60 | 2,253,800 |
| 29 May 2014 | 1 July 2017 | 1.11 | <u>2,164,150</u> |
| | | | <u>4,417,950</u> |

The total expense recognised for employee and directors services received in respect of the Share Award Scheme for the six months ended 30 June 2017 was RMB751,000 (six months ended 30 June 2016: RMB1,976,000).

Notes to the Condensed Consolidated Interim Financial Information

17 OTHER RESERVES (continued)

(d) Revaluation reserves

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Fair value gains on available-for-sale financial assets – gross (Note 12) | 40,257 | (257) |
| Tax charge – deferred income tax | (10,064) | – |
| Total other comprehensive income – net of tax | 30,193 | (257) |

18 PERPETUAL CAPITAL INSTRUMENTS

| | Principal RMB'000 | Distribution RMB'000 | Total RMB'000 |
|--|----------------------|-------------------------|------------------|
| Balance as at 1 January 2017 | 1,700,000 | 30,075 | 1,730,075 |
| Issuance of Perpetual Capital Instruments | 469,609 | – | 469,609 |
| Redemption of Perpetual Capital Instruments | (700,000) | – | (700,000) |
| Profit attributable to holders of Perpetual Capital Instruments | – | 40,222 | 40,222 |
| Distribution to holders of Perpetual Capital Instruments | – | (40,444) | (40,444) |
| Balance as at 30 June 2017 | 1,469,609 | 29,853 | 1,499,462 |

Notes to the Condensed Consolidated Interim Financial Information

18 PERPETUAL CAPITAL INSTRUMENTS (continued)

| | Principal RMB'000 | Distribution RMB'000 | Total RMB'000 |
|--|----------------------|-------------------------|------------------|
| Balance as at 1 January 2016 | 1,300,000 | 5,161 | 1,305,161 |
| Profit attributable to holders of Perpetual Capital Instruments | – | 70,155 | 70,155 |
| Distribution to holders of Perpetual Capital Instruments | – | (64,165) | (64,165) |
| Balance as at 30 June 2016 | 1,300,000 | 11,151 | 1,311,151 |

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

19 BORROWINGS

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

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS (continued)

(a) Senior notes

(i) 2021 Notes

On 15 September 2016, the Company issued 4.875%, 5-year 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:

| | Six months ended 30 June |
|---|-----------------------------|
| | 2017 RMB'000 |
| At 1 January | 1,364,131 |
| Interest expense and amortisation of issuance costs | 35,141 |
| Repayment of interest | (33,695) |
| Foreign exchange gains – net | (30,581) |
| At 30 June | 1,334,996 |

(ii) 2018 Notes (II)

On 26 November 2015, the Company issued 7.625%, 3-year 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 US\$.

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

| | Six months ended 30 June |
|---|-----------------------------|
| | 2017 RMB'000 |
| At 1 January | 1,379,565 |
| Interest expense and amortisation of issuance costs | 52,448 |
| Repayment of interest | (52,428) |
| Foreign exchange gains – net | (27,996) |
| At 30 June | 1,351,589 |

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS (continued)

(a) Senior notes (continued)

(iii) 2017 Notes and derivative financial instruments

On 18 September 2014, the Company issued 10.75%, 3-year 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 2017 Notes recognised in the balance sheet are calculated as follows:

| | Six months ended 30 June 2017 RMB'000 |
|---|--|
| At 1 January | 635,558 |
| Interest expense and amortisation of issuance costs | 35,750 |
| Repayment of interest | (33,068) |
| At 30 June | 638,240 |

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 needs 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 the 2017 Notes, the Company needs 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 as a derivative financial instrument and valued at fair value.

(b) Bank borrowings – secured

As at 30 June 2017, borrowings of RMB13,991,888,000 (31 December 2016: RMB10,877,664,000) were secured by certain property and equipment and land use rights (Note 6), investment properties (Note 7), properties under development (Note 8), completed properties held for sale (Note 9) and restricted cash (Note 14); secured bank and other borrowings of RMB3,117,855,300 (31 December 2016: RMB2,825,495,300) were additionally guaranteed by certain related parties (Note 28 (b)(iii)).

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS (continued)

(c) Corporate bonds

| | Six months ended 30 June 2017 RMB'000 |
|---|--|
| At 1 January | 12,870,865 |
| Interest expense and amortisation of issuance costs | 393,454 |
| Repayment of interest | (269,914) |
| Repayment of principal | (140,000) |
| At 30 June | 12,854,405 |

(d) Other borrowings – secured

As at 30 June 2017, borrowings from other non-bank financial institutions of RMB1,860,963,000 (31 December 2016: RMB2,898,390,000) were secured by certain property and equipment and land use rights (Note 6), investment properties (Note 7), properties under development (Note 8) and completed properties held for sale (Note 9).

(e) Movements of bank borrowings and other borrowings are analysed as follows:

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Opening amounts as at 1 January | 13,776,054 | 16,375,281 |
| Additions of borrowings | 6,225,591 | 6,649,586 |
| Repayments of borrowings | (4,109,046) | (5,877,176) |
| Net foreign exchange (gains)/losses – net | (39,748) | 62,671 |
| Closing amounts as at 30 June | 15,852,851 | 17,210,362 |

(f) As at 30 June 2017 and 31 December 2016, the Group has the following undrawn borrowing facilities:

| | 30 June 2017 RMB'000 | 31 December 2016 RMB'000 |
|--------------------------|----------------------------|--------------------------------|
| Floating rate: | | |
| – expiring within 1 year | 700,000 | 356,000 |
| – expiring beyond 1 year | 1,320,065 | 2,195,215 |
| Fixed rate: | | |
| – expiring within 1 year | 67,200 | 178,500 |
| | 2,087,265 | 2,729,715 |

Notes to the Condensed Consolidated Interim Financial Information

20 TRADE AND OTHER PAYABLES

| | 30 June 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|----------------------------|--------------------------------|
| Trade payables | 5,255,383 | 5,511,247 |
| – Related parties (Note 28 (c)) | 29,078 | 32,665 |
| – Third parties | 5,221,140 | 5,247,531 |
| – Notes payable – third parties | 5,165 | 231,051 |
| Other payables and accruals | 5,434,198 | 4,648,449 |
| – Related parties (Note 28 (c)) | 3,786,497 | 3,097,696 |
| – Third parties | 1,647,701 | 1,550,753 |
| Payables for retention fee | 578,466 | 505,615 |
| Payables for acquisition of land use rights | 232,200 | 177,189 |
| Other taxes payable | 406,707 | 391,843 |
| | 11,906,954 | 11,234,343 |

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

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

Other payables and accruals from third parties mainly comprised of deposits of customers and collection of payment for tenants.

Notes to the Condensed Consolidated Interim Financial Information

21 EXPENSES BY NATURE

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

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Cost of properties sold (excluding staff costs) | 4,043,853 | 3,170,558 |
| Staff costs (including directors' emoluments) | 517,202 | 406,026 |
| Cost of hotel operations (excluding staff costs) | 155,099 | 131,738 |
| Advertising costs | 146,245 | 97,371 |
| Cost of property management services (excluding staff costs) | 132,408 | 89,777 |
| Business taxes and other levies | 118,133 | 268,728 |
| Depreciation (Note 6) | 75,573 | 67,424 |
| Donations to governmental charity | 32,777 | 56,822 |
| Amortisation of land use rights (Note 6) | 15,618 | 17,164 |
| Office lease payments | 2,546 | 2,215 |
| Auditor's remuneration – audit services | 2,000 | 2,000 |

22 FINANCE COSTS – NET

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

Notes to the Condensed Consolidated Interim Financial Information

23 INCOME TAX EXPENSES

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

PRC corporate income tax

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

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

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

PRC land appreciation tax ("LAT")

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

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

Overseas income tax

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

Notes to the Condensed Consolidated Interim Financial Information

23 INCOME TAX EXPENSES (continued)

Hong Kong profits tax

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

24 EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

Notes to the Condensed Consolidated Interim Financial Information

25 DIVIDENDS

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

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

26 FINANCIAL GUARANTEE CONTRACTS

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

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

- (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) the 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 for repaying 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.

Notes to the Condensed Consolidated Interim Financial Information

27 COMMITMENTS

(a) Commitments for property development expenditures

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

(b) Operating leases commitments

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

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

Notes to the Condensed Consolidated Interim Financial Information

28 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

| Name | Relationship |
|---|---|
| Skylong Holdings Limited | Ultimate holding company of the Group (incorporated in the Cayman Islands) |
| 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 |
| 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 |
| 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 Powerlong Zhanyao Enterprises Development Co., Ltd. ("Shanghai Zhanyao") 上海寶龍展耀企業發展有限公司 | Joint venture |

Notes to the Condensed Consolidated Interim Financial Information

28 RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship with related parties (continued)

| Name | Relationship |
|--|---------------|
| Powerlong Golden Wheel Coral Company Limited ("Golden Wheel") 寶龍金輪珊瑚有限公司 | Joint venture |
| Hangzhou Maohui Business Consulting Co., Ltd. ("Hangzhou Maohui") 杭州茂輝商務諮詢有限公司 | 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 |

Notes to the Condensed Consolidated Interim Financial Information

28 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

- (i) During the six months ended 30 June 2017 and 2016, the Group had the following significant transactions with related parties:

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Rental income: | | |
| – Fuzhou Powerlong Amusement Management Company Limited | 1,566 | 1,494 |
| Property management fee income: | | |
| – Related parties ultimately controlled by Mr. Hoi Kin Hong | 386 | 388 |
| Purchase of office equipment and security intelligentisation system services from related parties: | | |
| – Fujian Ping An Security Devices and Network Limited | 20,327 | 25,593 |
| – Xiamen Powerlong Information Industry Co., Ltd. | 232 | 1,178 |
| | 20,559 | 26,771 |
| Hotel accommodation service fee charged by a related party: | | |
| – Macau Powerlong Group | 47 | 99 |
| Sales of construction materials to joint ventures | | |
| – Golden Wheel | 11,515 | 36,620 |
| – Tianjin Jinjun | 3,461 | 3,703 |
| – Hangzhou Xiaoshan | 3,246 | 15,760 |
| | 18,222 | 56,083 |
| Interest income from joint venture | | |
| – Shanghai Xuting | 30,208 | – |
| Consultation services provided to joint ventures | | |
| – Shanghai Zhanyao | 2,798 | – |
| – Golden Wheel | 836 | 3,861 |
| – Tianjin Jinjun | 713 | 187 |
| | 4,347 | 4,048 |
| Guarantees for borrowings to joint ventures | | |
| – Shanghai Xingwan | 1,280,000 | – |
| – Hangzhou Xiaoshan | 420,000 | 210,000 |
| – Shanghai Zhanyao | 160,000 | 640,000 |
| – Golden Wheel | 98,000 | 147,500 |
| | 1,958,000 | 997,500 |

- (ii) The above transactions were charged in accordance with the terms of the underlying agreements.
- (iii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB3,117,855,300 at 30 June 2017 (31 December 2016: RMB2,825,495,300) (Note 19 (b)).
- (iv) In the opinion of the directors of the Company, the related party transactions were conducted in the ordinary course of business.

Notes to the Condensed Consolidated Interim Financial Information

28 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

As at 30 June 2017 and 31 December 2016, the Group had the following material balances with related parties:

| | 30 June 2017 RMB'000 | 31 December 2016 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 | | |
| – Baohui | 294,286 | 302,164 |
| – Shanghai Zhanyao | 281,615 | 110,294 |
| – Shanghai Xingwan | 264,826 | 664,000 |
| – Tianjin Jinjun | 162,194 | – |
| – Golden Wheel | 43,350 | 6,120 |
| – Hangzhou Maohui | 22,000 | – |
| | 1,068,271 | 1,082,578 |
| Amounts due from associates | | |
| – Shanghai Zunchang | 113,877 | 87,500 |
| – Suzhou Macalline | 67,802 | 44,014 |
| | 181,679 | 131,514 |
| Total amounts due from related parties included in other receivables | 1,271,326 | 1,235,468 |
| 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 | 10,373 | 10,597 |
| – Other related entities ultimately controlled by Mr. Hoi Kin Hong | 268 | 643 |
| | 10,641 | 11,240 |
| Amounts due to joint ventures | | |
| – Tianjin Jinjun | 10,871 | 6,281 |
| – Golden Wheel | 5,300 | 13,970 |
| – Hangzhou Xiaoshan | 2,266 | 1,174 |
| | 18,437 | 21,425 |
| Total amounts due to related parties included in trade payables | 29,078 | 32,665 |

Notes to the Condensed Consolidated Interim Financial Information

28 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

| | 30 June 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|----------------------------|--------------------------------|
| Amounts due to related parties included in other payables (Note (ii)): | | |
| Amounts due to other related parties and ultimate controlling shareholder | | |
| – Great Merchant Limited | 467,747 | 176,486 |
| – Mr. Hoi Kin Hong | 32,900 | 32,900 |
| – Powerlong Group Development Co., Ltd. | 434 | 434 |
| | 501,081 | 209,820 |
| Amounts due to joint ventures | | |
| – Tianjin Jinjun | 882,056 | 189,262 |
| – Shanghai Zhanyao | 879,130 | 1,170,130 |
| – Hangzhou Xiaoshan | 690,360 | 493,083 |
| – Shanghai Xuting | 482,363 | 514,031 |
| – Baohui | 203,225 | 208,103 |
| – Shanghai Xingwan | 135,050 | 200,000 |
| – Golden Wheel | 10,697 | 21,917 |
| | 3,282,881 | 2,796,526 |
| Amounts due to associates | | |
| – Quanzhou Shangquan Industrial Development Co., Ltd. | 2,500 | 2,500 |
| – Shanghai Zunchang | 35 | 88,850 |
| | 2,535 | 91,350 |
| Total amounts due to related parties included in other payables | 3,786,497 | 3,097,696 |
| 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 | 6,570 | 6,628 |

Notes to the Condensed Consolidated Interim Financial Information

28 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

- (i) Amounts due from/to related parties included in trade receivables/payables are mainly derived from rental income, purchase of construction materials and consultation services, 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.

29 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 19 July 2017, the Company issued 5.95%, 3-year senior notes, with an aggregated principal amount of US\$200,000,000 at 99.191% to the principal amount. On 28 July 2017, the Company issued an additional US\$100,000,000 5.95%, 3-year senior notes which form a single series with the US\$200,000,000, 5.95%, 3-year senior notes issued on 19 July 2017. The total net proceeds of the notes, after deduction of the issuance costs, amounted to approximately US\$293.2 million (equivalent to approximately RMB1,961.2 million).