2017 ANNUAL REPORT

寶龍地產控股有限公司

POWERLONG REAL ESTATE HOLDINGS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

Stock code:1238

POWERLONG
宝龙地产


PRADA

CONTENTS

Group Introduction

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

The Group developed, owned and operated 84 real estate projects as at 31 December 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 the Group's corporate development and driven its evolvement along the way. 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 China Limited
Bank of Communication Co., Ltd.
The Bank of East Asia Limited
China Minsheng Banking Corp., Ltd.
China Everbright Bank Co., Ltd.
Agricultural Bank of China Limited
China CITIC Bank Corporation Limited
Bank of Beijing Co., Ltd.
Industrial and Commercial Bank of China Limited
Wing Lung Bank Limited
China Construction Bank Corporation

AUDITOR

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

HONG KONG LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com

Milestones and Awards

JAN

- Opening of Yangzhou Powerlong Plaza

APR

- Moody's upgraded the rating to "B1", with a "STABLE" rating outlook

JUN

- Acquired the land use right of Shanghai Yangpu District Huanchuang Centre and further developed in the prime region in Zhonghuan, Shanghai

JUL

- Opening of Shanghai Wujing Powerlong Plaza
- Successfully issued the 5.95% USD300 million senior notes due 2020

10 OCT

- Entered into Nanjing, Shaoxing and Zhoushan, the three major cities in Yangtze River Delta for the first time
- Opening of ARTELS+ Fuyang Hangzhou

11 NOV

- Opening of Yiwu Powerlong Plaza, the first light-asset project
- Standard & Poor's upgraded the rating of Powerlong to B+, with a "STABLE" rating outlook
- Opening of ARTELS+ Collection Lingang Shanghai

12 DEC

- Opening of Fuyang Powerlong Plaza
- Opening of Fuling Powerlong Plaza, the second light-asset project
- Opening of Juntels Binjiang Hangzhou and ARTELS+ Wujing Shanghai

CORPORATE AWARDS

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

- 2017 China TOP 100 Real Estate Developers
- 2017 TOP 10 Brands of China Commercial Real Estate Companies
- 2017 TOP 10 Brands of China Commercial Real Estate – Powerlong Plaza
- 2016-2017 China Real Estate Developers with High Social Responsibility
- 2017 China Excellent Commercial Real Estate Developers
- 2017 China Excellent Listed Real Estate Company by Commercial Operation
- 2017 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by EVA (Economic Value Added)
- 2017 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Finance Stability
- 2017 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value

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

- 2017 Best 10 of China Commercial Real Estate Developers
- 2017 Best 50 of China Real Estate Developers

MEDIA AWARDS

- The Most Commercially Valuable Enterprise Award (awarded by China Business News)
- 2017 Ranking of China's 100 Best Real Estate Enterprises (awarded by Guardian)
- 2017 Ranking of the Best China's Real Estate Management and Team (awarded by Guardian)
- 2017 Ranking of the best Real Estate Enterprises with Brand Value (awarded by Guardian)
- China Blue Chip Real Estate (awarded by The Economic Observer)
- 2017 China Valuable Real Estate Awards – Valuable Real Estate Developer of the Year (awarded by National Business Daily)
- 2017 Urban Developer (awarded by The Times Weekly)
- Asia Brands Top 500 (awarded by Asia Brand Ceremony)
- TOP 10 (Industry) Innovative Brands in Asia (awarded by Asia Brand Ceremony)
- Annual Contributing Star of Capital Management (awarded by China Real Estate Capital Management Eco-chain Ceremony
- 2017 City Development Contribution Award (awarded by NetEase)
- The Most Influential of Real Estate Enterprises in China (awarded by focus.cn)
- Golden Hong Kong Stock Award for the Best Manager of Investor Relations (awarded by Insight into the New Value of Hong Kong Stocks Summit & 2017 Golden Hong Kong Stock Judging)
- 2017 Most Socially Responsible Developer in China (awarded by Tencent)
- 2017 The Most Innovative Operator of City Complexes in China (awarded by First Real Estate)

OTHER SOCIAL ASSOCIATION AWARDS

- Innovative Development Award (awarded by Shanghai Nonlocal Enterprises Federation)
- Top 50 Real Estate Developer in Shanghai (awarded by Shanghai Real Estate Trade Association)
- Qibao Town Top 10 Outstanding Privately-owned Enterprises (awarded by Qibao Town People's Government)
- Enterprises Caring for the Underprivileged (awarded by CCP Zhijin County Committee Zhijin County People's Government)

PERSONAL AWARDS GAINED BY MR. HOI KIN HONG

- 2017 Top 100 Contributors to Real Estate in China (awarded by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Institute of Real Estate Studies, China Index Academy)

Chairman's Statement

HOI KIN HONG
Chairman

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Powerlong Real Estate Holdings Limited, I am pleased to present to all shareholders the audited annual results of the Group for the year ended 31 December 2017. 2017 was the second year of further implementation of the Group's latest five-year plan. Amidst the ongoing establishment of a long-term mechanism in the property market and continuously tightened multi-level regulation policies of real estate market, the Group precisely comprehended market trend and made substantial achievement in pushing ahead its strategic moves. Based on the operation ethos of "Passionate Team, Efficient Management, Quality Products and Benchmarking Achievements", the Group's operation and development has now come to a new stage with breakthroughs in various key areas, laying a solid foundation for the next phase of the Group's lead-forward development

During the year under review, the Group realized a revenue of RMB15.6 billion and net profit of RMB3.9 billion, representing a year-on-year increase of approximately 9.1% and 40.7%, respectively. Basic earnings per share was RMB84.1 cents. For the year ended 31 December 2017, the Board recommends the payment of a final dividend of HK$19.6 cents per ordinary share, together with the interim dividend of HK$5.4 cents per ordinary share for the six months ended 30 June 2017, the total dividend amounts to HK$25 cents per ordinary share, representing an increase of approximately 56.3% as compared with 2016.

CONTRACTED SALES HITTING ANOTHER RECORD HIGH

Contracted sales hit another record high for the year 2017, reaching RMB20.9 billion and a year-on-year growth of 18.4%.

The Group formulated localised measures and its sales capability was further enhanced. By efficient management and in-depth study in market demand, the sales team focused on the outstanding issues, rectified the procedures and standardized the contents, facilitated the improvement in quality of various projects and achieved the target sales. 6 projects achieved an annual sales of more than RMB1 billion.

REMARKABLE RESULTS IN EXPANSION OF LAND BANK

During the year, the Group continued to adhere to the focus strategy of "Focusing on Shanghai and Intensively exploring the Yangtze River Delta", which was consistent with the "1+6+N" land acquisition strategy put forward under the latest five-year plan. Keeping Shanghai as the core focus, the Group also intensively explored other cities including Suzhou, Hangzhou, Xiamen, Fuzhou, Nanjing and Ningbo. During the year, the Group acquired a total of 18 high-quality land parcels, including 9 land parcels situated in 4 major strategic cities, namely Shanghai, Hangzhou, Nanjing and Ningbo. The Group has also entered into 3 major cities in Yangtze River Delta, namely, Nanjing, Shaoxing and Zhoushan for the first time.

As at 31 December 2017, the Group had 84 projects across China, including 52 projects or 62% of the Group's portfolio situated in the Yangtze River Delta, among which 16 projects are located in Shanghai and 18 projects are located in Zhejiang. It was mainly attributable to the Group's precise planning in strategic key cities, value investment with reasonable costs, insistence on diversified expansion and combination, as well as extension in resource integration and strategic cooperation with leading enterprises in the industry.

As at 31 December 2017, the Group had a land bank amounting to a total GFA of approximately 14.1 million square meters, which is expected to be sufficient for the property development of the Group in the next 3 to 5 years. From the perspective of the geographical location of the Group's land bank, current land bank in first-tier and second-tier cities represents 73% of the Group's land bank under development and held for future development. Therefore, the Group is confident that its quality land resources will continuously drive the Group's long-term and healthy development.

BUSINESS OPERATION GROW AT A STEADY PACE

In 2017, the Group recorded rental income and property management services income of RMB1.8 billion, representing an increase of 29.7% over last year, highlighting the solid foundation of business operation as the Group's core competitiveness.

During the year under review, the Group has completed a number of project commencement missions. The three property projects, namely Yangzhou Powerlong Plaza, Shanghai Wujing Powerlong Plaza and Anhui Fuyang Powerlong Plaza, which are operated by the Group, commenced operation successively during the year. Meanwhile, two light-asset projects, namely Zhejiang Yiwu Powerlong Plaza and Chongqing Fuling Powerlong Plaza have also successfully commenced the operation. Being the first light-asset project of the Group as well as the first one-stop shopping center for families in the local region, Zhejiang Yiwu Powerlong Plaza commenced its operation with a leasing rate of 100% and achieved a customer flow of 150,000 on the day of its opening.

As at 31 December 2017, the number of shopping malls currently operated and managed by the Group has reached 34, while the Group has also managed two light-asset projects. The Group has operated and managed 7 projects in Shanghai, and 4 projects in Hangzhou. The Group outperformed other industry players in terms of quantity and area of projects while there was continuous improvement in the output management capability of the commercial group. The benchmark project, Hangzhou Binjiang Powerlong City, has completed its first full year of operation with an average daily customer flow of more than 50,000, gaining wide recognition among local market and government.

Having entered the commercial real estate industry for 14 years, the Group has been awarded TOP 10 Brands of China Commercial Real Estate Companies for seven consecutive years. Powerlong Plazas operated by the Group have been awarded "TOP 10 Brands of China Commercial Real Estate" for eight consecutive years.

AUGMENTED RECOGNITION IN CAPITAL MARKET

Benefiting from its improved comprehensive operation and management capabilities, Moody's and S&P have upgraded both the rating, of the Company and of its bonds. On 6 April 2017, Moody's has upgraded the credit rating of the Company to "B1" and the bond rating to "B2". On 21 November 2017, S&P has upgraded the credit rating of the Company to "B+" and the bond rating to "B", with a stable rating outlook.

During the year under review, the stock price of the Company grew by 66.95%, reflecting the capital market's recognition of the Group.

MAINTAINING LOW FINANCE COSTS

In optimizing the debt structure, the Company has diversified its financing channels in order to maintain the relatively low finance costs. The consolidated finance costs of the Group increased slightly from 6.18% for 2016 to 6.29% for 2017, which was due to fluctuation of the capital market.

As at 31 December 2017, cash and cash equivalents and restricted cash of the Group amounted to RMB10.0 billion, of which the loan amount due within one year amounted to RMB9.8 billion, ensuring a higher liquidity.

BUSINESS EXPANSION AND INNOVATION

After years of exploration, the Group's hotel business has adopted an approach by which the Group has the core businesses of international brand hotels and self-owned brand chain hotels. During the year under review, the Group has opened five self-owned brand chain hotels. As at 31 December 2017, the Group owned and managed nine international brand hotels and eight self-owned brand chain hotels. While the Group successfully manages the traditional international brand hotels, it also determines to develop self-operated artistic hotels and forms its own brand chain features.

The newly opened Powerlong Crective Lab focuses on new commerce, new retail and new technology exploration, as well as establishes an industry-leading informative platform with SAP, which would help the Group to develop in a completely digitized and intelligent way.

OUTLOOK

2018 will be a turning point where the long-term effective mechanism of real estate policies will co-exist with short-term economic regulations. Long-term effective mechanism is now at the critical moment, and the implementation and refinement will be further accelerated. Looking ahead to 2018, in respect of the economic monetary environment, the trend of economic growth and a good employment condition will remain unchanged regulations while the stringent regulated financial policy and the deleveraging policy will continue. Appropriate and moderate regulation will meet the need for adjustment of the domestic economic structure. The medium and long-term operating environment in the market will be gradually established and the continuity and stability of control regulations will be maintained. "House is for living but not for speculating" will remain as the main theme for the future housing policies, leading to a positive market expectation.

2018 is the first year of the 19th National Congress which outlined the new themes of new development concepts and quality development. Facing the new opportunities ahead, the Group aims at achieving new breakthrough and emphasizing on seeking innovation and development from a new perspective of "evolution", uplifted the Group's development to a new level.

According to the current development trend of the real estate market in China, high turnover is still the Group's marketing target. The Group will further increase its sales target in 2018 to RMB35 billion. At the same time, the Group will optimize and standardize marketing management to improve its preparation and coordination work, increase investment in the three-point-one-line management model in order to further achieve comprehensive improvement in quality, management and operation, strengthen its ability to get major customers and increase in sales with significant amount.

The Group will reform to achieve breakthroughs and build a team of high-calibre staff and ensure the opening of three commercial plazas within this year. The Group will continue to exert all efforts to build up three commercial benchmarks by constructing Xiamen Powerlong One Mall, to be launched within this year, into a high-end positioning and high quality city benchmark, and constructing Qibao Powerlong City, where the Group's headquarters is located, into a regional benchmark for leisure activities. The Group will also continue to build up the core operating abilities of reputable Hangzhou Binjiang Powerlong City as a benchmark. At the same time, the Group upholds a customer-oriented policy in order to enhance its service quality.

The Group will further step up its efforts and increase the breadth in expanding its land bank. While pursuing integration and breakthrough in the Shanghai region, it will strengthen market tracking and research in key cities and regions, and formulate a precise layout. The Group will continue to perform diversified expansion, establish a standardized operational mechanism for project merging and acquisitions and cooperation, as well as further enhance resources integration and strategic cooperation with leading enterprises in the industry, so as to obtain high quality land resources.

The Group will speed up the exploration of a comprehensive artistic hotel operational model via cross-sector arts and new retail. The Group will constantly drive the operation enhancement of the operating hotels, improve services and enhance operational efficiency.

The Group will seek high quality and new retailing investment opportunities, pay close attention to the policies and strengthen the maintenance of relationship with the financial institutions. Meanwhile, the Group will construct a complete management system, raise asset yields and integrate resources proactively.

The Group will step up efforts in employing young talents with high academic qualifications and improve the internal promotion mechanism; push ahead with the parallel development of talents and the corporate proactively and ensure professionalism, competency and cultural recognition. The Group will construct a platform and create opportunities for career development and fully unleash the vibrancy of its staff.

The Group will adjust mindset, hold on to targets, pursue innovations, embrace changes and push the Company to a higher level. The Group believes that its cohesion, steadfast beliefs, shared vision, collaborative efforts, embracing for challenges and perseverance will drive the Group into an ambitious and well-respected benchmarking player within the industry.

APPRECIATION

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

Hoi Kin Hong
Chairman

26 March 2018

Overview of Business

Total GFA of approximately 29.7 million sq.m.

OVERVIEW

Property Development

As at 31 December 2017, the Group owned and operated 84 property development projects which are at different phases of development. The Group currently has 29 fully completed projects, among which 7 in Shanghai Municipality, 4 in Jiangsu Province, 3 in Zhejiang Province, 1 in Anhui Province, 1 in Tianjin Municipality, 6 in Shandong Province, 1 in Henan Province and 6 in Fujian Province. The Group had 55 projects under development or held for future development, among which 9 are located in Shanghai Municipality, 12 in Jiangsu Province, 15 in Zhejiang Province, 1 in Anhui Province, 1 in Hainan Province, 4 in Tianjin Municipality, 5 in Shandong Province, 2 in Henan Province, 1 in Chongqing Municipality, 1 in Sichuan Province and 4 in Fujian Province.

Property Investment

As at 31 December 2017, the Group held investment properties, mainly shopping malls, with a total GFA of approximately 4,345,577 square meters. These shopping malls are mainly located at Shanghai Municipality; Zhenjiang, Huai'an, Wuxi, Changzhou, Suqian and Yancheng in Jiangsu Province; Hangzhou and Ningbo in Zhejiang Province; Bengbu and Fuyang in Anhui Province; Yantai (including Laishan and Penglai), Tai'an and Qingdao (including Jiaozhou and Jimo) in Shandong Province; Chongqing Municipality; Fuzhou, Xiamen and Quanzhou (including Jinjiang and Anxi) in Fujian Province; and Zhengzhou, Luoyang and Xinxiang in Henan Province.

Property Management

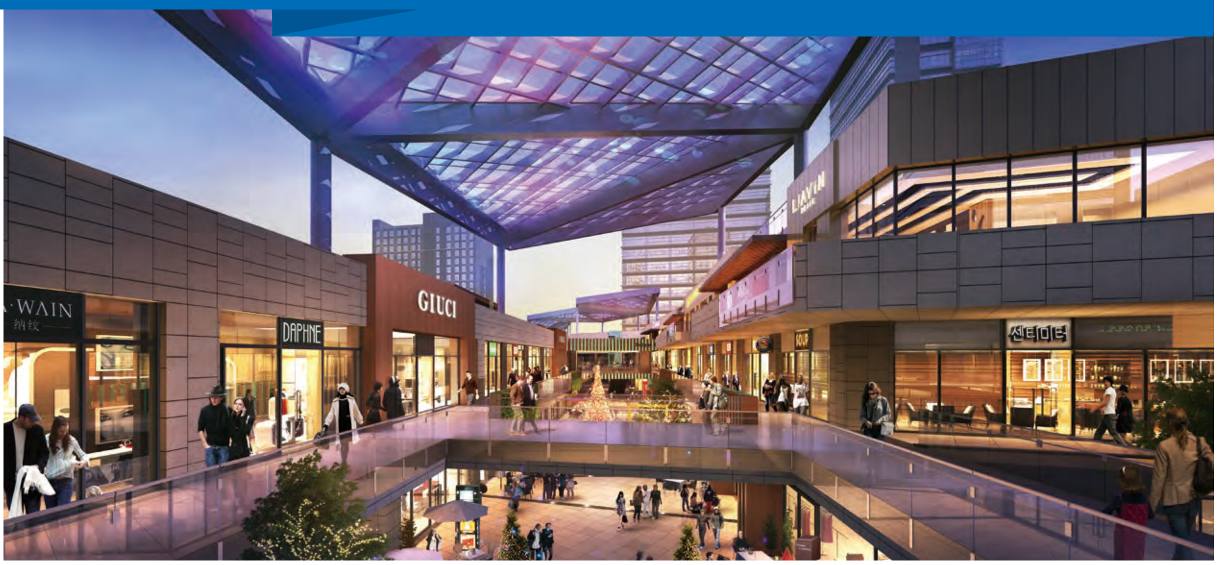
The Company provides after-sales property management services to the households of each project developed by the Group through its wholly-owned property management subsidiaries. Such services include maintenance of public utilities, cleaning of public area, gardening and landscaping, and other customer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

Hotel Development

The Group continued to develop its hotel business as a source of long-term recurring income. It has the core businesses of international brand hotels and self-owned brand chain hotels. As at 31 December 2017, the Group owned and managed nine international brand hotels and eight brand chain hotels.

Light-asset Management

As at 31 December 2017, the Group managed two light-asset projects.



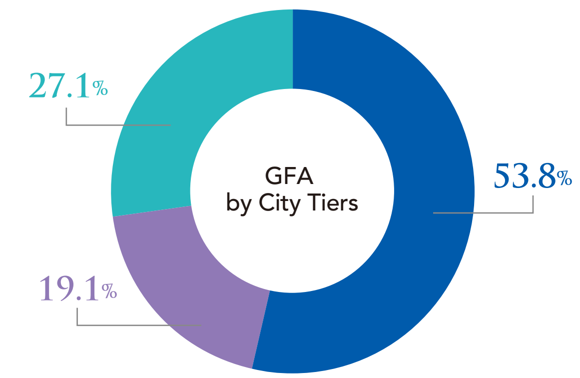
GFA (AS AT 31 DECEMBER 2017)

As at 31 December 2017, the development status of the property projects of the Group (including joint ventures) was as follows:

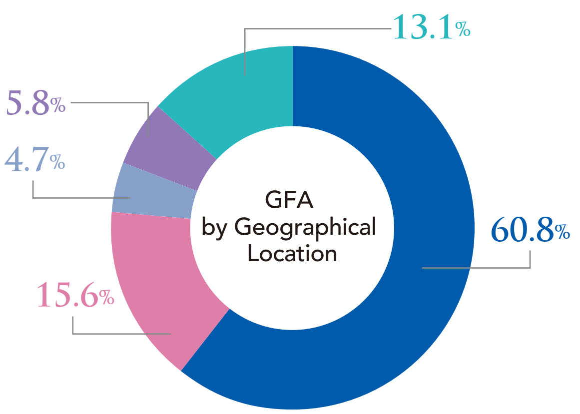
Province/ municipality	Project	Type	Total GFA ('000 sq.m)	Properties completed ('000 sq.m)	Properties under development ('000 sq.m)	Properties held for future development ('000 sq.m)
Shanghai Municipality	Shanghai Baoshan Powerlong Plaza	Commercial	36	36	–	–
	Shanghai Guozhan Powerlong City	Commercial	406	–	–	406
	Shanghai Hongqiao Powerlong Land	Commercial/ Residential	294	294	–	–
	Shanghai Jiuting Center	Commercial	315	–	315	–
	Shanghai Lingang Powerlong Plaza	Commercial	87	71	16	–
	Shanghai Lingang Powerlong Mansion	Commercial/ Residential	86	55	31	–
	Shanghai Qibao Powerlong City	Commercial	383	383	–	–
	Shanghai Qingpu Powerlong Plaza	Commercial	345	149	197	–
	Shanghai Wujing Powerlong Plaza	Commercial	91	91	–	–
	Shanghai Yangpu District Huanchuang Centre	Commercial	190	–	–	190
	Shanghai Minhang Maqiao Project	Commercial	138	–	138	–
	Shanghai Caolu Powerlong Plaza	Commercial	168	168	–	–
	Shanghai Fengxian Powerlong Plaza	Commercial	179	179	–	–
	Shanghai Jiading Powerlong Plaza	Commercial	193	193	–	–
	Shanghai Baoshan Powerlong City	Commercial	270	–	270	–
	Shanghai Wujing Minhang New Town Project	Commercial	82	–	–	82
Sub-total	16	–	3,263	1,618	966	679
Jiangsu Province	Changzhou Powerlong Plaza	Commercial/ Residential	1,057	637	–	420
	Huai'an Powerlong Land	Commercial	153	32	–	121
	Suzhou Taicang Powerlong Plaza	Commercial/ Residential	270	245	–	25
	Suzhou Bay Tianpo	Commercial/ Residential	367	–	367	–
	Wuxi Yuqi Powerlong Riverside Garden	Commercial/ Residential	346	304	42	–
	Wuxi Wangzhuang Powerlong Plaza	Commercial/ Residential	287	287	–	–
	Wuxi Powerlong Mansion	Commercial/ Residential	425	–	–	425
	Suqian Powerlong Plaza	Commercial/ Residential	486	486	–	–
	Xuzhou Powerlong Palace	Residential	165	–	165	–
	Yancheng Powerlong Plaza	Commercial/ Residential	495	495	–	–
	Yangzhou Powerlong Plaza	Commercial/ Residential	231	231	–	–
	Zhenjiang Powerlong Plaza	Residential	366	313	53	–
	Zhenjiang Powerlong International Garden	Residential	262	134	129	–
	Nanjing Gaochun Project	Commercial	234	–	–	234
	Nanjing Xixia District Project	Commercial/ Residential	268	–	–	268
	Nantong Project	Commercial/ Residential	319	–	–	319
Sub-total	16	–	5,733	3,164	757	1,812
Zhejiang Province	Hangzhou Binjiang Powerlong City	Commercial/ Residential	402	192	210	–
	Hangzhou Dajiangdong Powerlong Plaza	Commercial/ Residential	453	–	453	–
	Hangzhou Fuyang Powerlong Plaza	Commercial	193	193	–	–
	Hangzhou Xiasha Powerlong Plaza	Commercial	354	354	–	–
	Hangzhou Xiaoshan Powerlong Plaza	Residential	223	223	–	–
	Hangzhou Yuhang Future Technology Town Project	Commercial	247	–	–	247
	Hangzhou Lin'an Baihufan Project	Commercial/ Residential	385	–	–	385
	Hangzhou Donghu City	Commercial	231	–	231	–
	Hangzhou Lin'an Qingshan Lake Project	Commercial	514	–	–	514
	Ningbo Powerlong Mansion	Residential	121	–	121	–
	Ningbo Hi-tech Zone Powerlong Plaza	Commercial/ Residential	351	–	351	–
	Ningbo Powerlong Land	Commercial/ Residential	63	–	–	63
	Ningbo Sanjiang Palace	Residential	144	–	144	–
	Ningbo Yinzhou Powerlong Plaza	Commercial	134	–	134	–
	Ningbo New Long Island Garden	Commercial	223	–	223	–
	Shaoxing Paojiang New District Yangjing Lake Project	Commercial/ Residential	575	–	–	575
	Zhoushan Putuo Project	Commercial/ Residential	234	–	–	234
	Zhoushan Xincheng Lot LKC-4-11 Project	Commercial	324	–	–	324
Sub-total	18	–	5,169	962	1,866	2,341

Province/ municipality	Project	Type	Total GFA ('000 sq.m)	Properties completed ('000 sq.m)	Properties under development ('000 sq.m)	Properties held for future development ('000 sq.m)
Anhui Province	Bengbu Powerlong Plaza	Commercial/ Residential	499	499	–	–
	Fuyang Powerlong Plaza	Commercial/ Residential	749	606	144	–
Sub-total	2	–	1,248	1,104	144	–
Hainan Province	Haikou Global 100 Powerlong City	Residential	1,846	–	137	1,709
Sub-total	1	–	1,846	–	137	1,709
Tianjin Municipality	Tianjin Powerlong City	Commercial/ Residential	778	331	380	68
	Tianjin North Green Area	Commercial	110	–	–	110
	Tianjin Yujiapu Powerlong International Center	Commercial/ Residential	362	362	–	–
	Tianjin Parkview Manor/Tuanbowan Plaza	Residential	279	–	279	–
	Tianjin Beitang Project	Residential	212	–	–	212
Sub-total	5	–	1,741	693	659	389
Shandong Province	Dongying Powerlong Plaza	Commercial/ Residential	455	263	–	192
	Qingdao Jiaozhou Powerlong Plaza	Commercial/ Residential	335	335	–	–
	Qingdao Chengyang Powerlong Plaza	Commercial/ Residential	707	707	–	–
	Qingdao Licang Powerlong Plaza	Commercial/ Residential	368	368	–	–
	Qingdao Jiaozhou Powerlong Art Villa	Commercial/ Residential	261	128	133	–
	Qingdao Jimo Powerlong Plaza	Commercial/ Residential	618	618	–	–
	Yantai Haiyang Powerlong City	Commercial/ Residential	408	139	–	269
	Yantai Laishan Powerlong Plaza	Commercial/ Residential	169	169	–	–
	Yantai Penglai Powerlong Plaza	Commercial/ Residential	348	315	33	–
	Yantai Jinjun	Commercial/ Residential	526	–	–	526
	Tai'an Powerlong Plaza	Commercial/ Residential	284	284	–	–
Sub-total	11	–	4,479	3,326	166	988
Henan Province	Luoyang Powerlong Plaza	Commercial/ Residential	1,364	1,184	173	7
	Xinxiang Powerlong Plaza	Commercial/ Residential	1,238	781	458	–
	Zhengzhou Powerlong Plaza	Commercial/ Residential	252	252	–	–
Sub-total	3	–	2,854	2,217	631	7
Chonqing Municipality	Chongqing Hechuan Powerlong Plaza	Commercial/ Residential	620	598	21	–
Sub-total	1	–	620	598	21	–
Sichun Province	Bazhong Powerlong Pavilion	Residential	153	–	83	71
Sub-total	1	–	153	–	83	71
Fujian Province	Fuzhou Powerlong Plaza	Commercial	218	218	–	–
	Quanzhou Jinjiang Powerlong Plaza	Commercial/ Residential	332	332	–	–
	Quanzhou Jinjiang Powerlong Mansion	Commercial/ Residential	381	356	–	25
	Quanzhou Anxi Powerlong Plaza	Commercial/ Residential	771	607	164	–
	Quanzhou Yongchun Powerlong Plaza	Residential	160	–	160	–
	Quanzhou Jinjiang Powerlong Golden Jiayuan	Residential	144	144	–	–
	Quanzhou Anhai Powerlong Haoyuan	Residential	54	54	–	–
	Xiamen Powerlong One Mall	Commercial	383	65	318	–
	Xiamen Powerlong Lakeside Mansion	Commercial/ Residential	78	78	–	–
	Zhangzhou Yunxiao General Avenue No.1	Residential	111	111	–	–
Sub-total	10	–	2,632	1,965	642	25
Total	84	–	29,737	15,647	6,071	8,019

LAND BANK (AS AT 31 DECEMBER 2017)[NOTE]



City Tiers	GFA '000 square meters	Percentage %
First-Tier Cities	2,693	19.1
Second-Tier Cities	7,583	53.8
Third/Fourth-Tier Cities	3,815	27.1
Total	**14,091**	**100**



Geographical Location	GFA '000 square meters	Percentage %
Yangtze River Delta	8,564	60.8
Bohai Rim	2,202	15.6
West Strait Economic Zone	667	4.7
Central and Western Region	812	5.8
Hainan	1,846	13.1
Total	**14,091**	**100**

Note: Lank bank includes properties under development and properties held for future development.

SHOPPING MALLS IN OPERATION

SHANGHAI

SHANGHAI JIADING POWERLONG PLAZA

SHANGHAI WUJING
Powerlong Plaza

Opening Date:
July 2017

Operating Area:
Approximately 25,000 square meters Note

SHANGHAI QIBAO
Powerlong City

Opening Date:
October 2016

Operating Area:
Approximately 64,000 square meters Note

SHANGHAI JIADING
Powerlong Plaza

Opening Date:
October 2016

Operating Area:
Approximately 64,000 square meters Note

SHANGHAI BAOSHAN
Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately 14,000 square meters Note

SHANGHAI LINGANG
Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately 21,000 square meters Note

SHANGHAI FENGXIAN
Powerlong Plaza

Opening Date:
November 2015

Operating Area:
Approximately 41,000 square meters Note

SHANGHAI CAOLU
Powerlong Plaza

Opening Date:
December 2013

Operating Area:
Approximately 32,000 square meters Note

TIANJIN

TIANJIN YUJIAPU POWERLONG INTERNATIONAL CENTER

TIANJIN YUJIAPU
Powerlong International Center

Opening Date:
December 2014

Operating Area:
Approximately 44,000 square meters Note

Note: Underground parking spaces excluded.

SHOPPING MALLS IN OPERATION

JIANGSU PROVINCE

YANGZHOU
Powerlong Plaza

Opening Date:
January 2017

Operating Area:
Approximately 68,000 square meters Note

CHANGZHOU
Powerlong Plaza

Opening Date:
June 2016

Operating Area:
Approximately 103,000 square meters Note

ZHENJIANG
Powerlong Plaza

Opening Date:
September 2015

Operating Area:
Approximately 59,000 square meters Note

YANGZHOU POWERLONG PLAZA

SUQIAN
Powerlong Plaza

Opening Date:
September 2011

Operating Area:
Approximately 121,000 square meters Note

YANCHENG
Powerlong Plaza

Opening Date:
September 2011

Operating Area:
Approximately 135,000 square meters Note

WUXI WANGZHUANG
Powerlong Plaza

Opening Date:
October 2010

Operating Area:
Approximately 106,000 square meters Note

ANHUI PROVINCE

FUYANG
Powerlong Plaza

Opening Date:
December 2017

Operating Area:
Approximately 101,000 square meters Note

BENGBU
Powerlong Plaza

Opening Date:
December 2009

Operating Area:
Approximately 195,000 square meters Note


BENGBU POWERLONG PLAZA

Note: Underground parking spaces excluded.

SHOPPING MALLS IN OPERATION

SHANDONG PROVINCE

QINGDAO JIAOZHOU POWERLONG PLAZA

YANTAI LAISHAN
Powerlong Plaza
Opening Date:
December 2016
Operating Area:
Approximately 38,000 square meters [Note]

YANTAI PENGLAI
Powerlong Plaza
Opening Date:
November 2016
Operating Area:
Approximately 44,000 square meters [Note]

QINGDAO JIAOZHOU
Powerlong Plaza
Opening Date:
February 2015
Operating Area:
Approximately 68,000 square meters [Note]

TAI'AN
Powerlong Plaza
Re-opening Date:
September 2012
Operating Area:
Approximately 48,000 square meters [Note]

QINGDAO JIMO
Powerlong Plaza
Opening Date:
December 2011
Operating Area:
Approximately 122,000 square meters [Note]

QINGDAO LICANG
Powerlong Plaza
Opening Date:
December 2011
Operating Area:
Approximately 111,000 square meters [Note]

QINGDAO CHENGYANG
Powerlong Plaza
Opening Date:
October 2009
Operating Area:
Approximately 215,000 square meters [Note]

FUJIAN PROVINCE

QUANZHOU ANXI POWERLONG PLAZA

JINJIANG
Powerlong Plaza
Opening Date:
December 2013
Operating Area:
Approximately 100,000 square meters [Note]

QUANZHOU ANXI
Powerlong Plaza
Opening Date:
December 2010
Operating Area:
Approximately 55,000 square meters [Note]

FUZHOU
Powerlong Plaza
Opening Date:
April 2007
Operating Area:
Approximately 95,000 square meters [Note]

Note: Underground parking spaces excluded.

SHOPPING MALLS IN OPERATION

ZHEJIANG PROVINCE

HANGZHOU BINJIANG
Powerlong City

Opening Date:
December 2016

Operating Area:
Approximately
126,000
square meters Note

HANGZHOU FUYANG
Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately
22,000
square meters Note

HANGZHOU BINJIANG POWERLONG CITY

HANGZHOU XIAOSHAN
Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately
64,000 square meters Note

HANGZHOU XIASHA
Powerlong Plaza

Opening Date:
November 2014

Operating Area:
Approximately
18,000 square meters Note

HENAN PROVINCE

XINXIANG
Powerlong Plaza

Opening Date:
September 2012

Operating Area:
Approximately
90,000
square meters Note

LUOYANG
Powerlong Plaza

Opening Date:
December 2011

Operating Area:
Approximately
133,000
square meters Note

ZHENGZHOU
Powerlong Plaza

Opening Date:
December 2009

Operating Area:
Approximately
108,000
square meters Note


LUOYANG POWERLONG PLAZA

Note: Underground parking spaces excluded.

SHOPPING MALLS IN OPERATION

CHONGQING

Chongqing Hechuan

Powerlong Plaza

Opening Date:
December 2014

Operating Area:
Approximately
74,000 square meters Note

Note: Underground parking spaces excluded.

HOTELS

SHANGHAI

ARTELS+ Wujing Shanghai

Opening Date:
December 2017

Number of Rooms (Suites): 210

Address:
No. 1,
Lane 39,
Shangyi Road, Wujing,
Minhang District,
Shanghai, China

ARTELS+ Collection Lingang Shanghai

Opening Date:
June 2017

Number of Rooms (Suites):
184

Address:
No. 3127,
Hongyin Road,
Pudong District,
Shanghai, China

ARTELS+ COLLECTION LINGANG SHANGHAI

Le Meridien Shanghai Minhang

Opening Date:
October 2016

Number of Rooms (Suites): 241

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

Radission Exhibition Center Shanghai

Opening Date:
May 2016

Number of Rooms (Suites): 226

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

Radission Blu Shanghai Pudong Jinqiao

Opening Date:
January 2016

Number of Rooms (Suites): 196

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

FUJIAN PROVINCE

Artels Anxi

Opening Date:
September 2015

Number of Rooms (Suites): 98

Address:
No. 17, Jian'an Avenue,
Chengxiang, Anxi,
Quanzhou,
Fujian Province, China

ARTELS ANXI

JIANGSU PROVINCE

ARTELS+ HUAIAN

ARTELS+ HUAI'AN

Opening Date:
June 2017

Number of Rooms (Suites): 92

Address:
No. 180 Guangzhou Road, Huai'an, Jiangsu Province, China

ALOFT YANCHENG

Opening Date:
December 2013

Number of Rooms (Suites): 299

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

FOUR POINTS BY SHERATON TAICANG

Opening Date:
June 2010

Number of Rooms (Suites): 446

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

CHONGQING

DAYS HOTEL POWERLONG CHONGQING

DAYS HOTEL POWERLONG CHONGQING

Opening Date:
December 2015

Number of Rooms (Suites): 253

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

SHANDONG PROVINCE

POWERLONG INN. PENGLAI

Opening Date:
May 2015

Number of Rooms (Suites): 240

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

ARTELS QINGDAO

Opening Date:
December 2011

Number of Rooms (Suites): 170

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

FOUR POINTS BY SHERATON QINGDAO, CHENGYANG

ALOFT HAIYANG

Opening Date:
June 2011

Number of Rooms (Suites): 145

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

FOUR POINTS BY SHERATON QINGDAO, CHENGYANG

Opening Date:
February 2011

Number of Rooms (Suites): 303

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

FOUR POINTS BY SHERATON TAI'AN

Opening Date:
December 2010

Number of Rooms (Suites): 300

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

ZHEJIANG PROVINCE

JUNTELS BINJIANG HANGZHOU

Opening Date:
December 2017

Number of Rooms (Suites): 175

Address:
Block 3,
Powerlong City,
No. 3867 Binsheng Road,
Puyan Jiedao, Hangzhou,
Zhejiang Province, China

ARTELS+ FUYANG HANGZHOU

Opening Date:
November 2017

Number of Rooms (Suites): 161

Address:
next to No. 997 Wenju Street,
1/F Powerlong Plaza,
Fuyang District,
Hangzhou,
Zhejiang Province, China

ARTELS+ FUYANG HANGZHOU

Management Discussion and Analysis

HOI WA FONG
CEO

BUSINESS REVIEW

For the year ended 31 December 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 year under review, property development remained the main revenue stream of the Group.

Property Development

For the year ended 31 December 2017, the contracted sales of the Group together with its associates and joint ventures reached approximately RMB20,882 million (2016: approximately RMB17,642 million), representing an increase of approximately 18.4% as compared with the corresponding period in 2016. In 2017, the contracted sales area of the Group together with its associates and joint ventures amounted to 1,561,962 square meters (2016: 1,468,459 square meters), representing a year-on-year increase of approximately 6.4% over 2016.

The Group's contracted sales for the year ended 31 December 2017 once again hit a record high. During the year under review, the key contributing projects (including subsidiaries and joint ventures) were located in Shanghai, Hangzhou, Suzhou, Jinjiang, Zhenjiang and Xuzhou. There was overwhelmingly positive market response for these projects, as the Group developed products based on the local conditions of different markets, actively responded to the changes in market and flexibly adjusted the sales strategies in different regions and projects.

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

	FY 2017		
Distribution	**Sales area** sq.m.	**Sales amount** RMB'000	**Average selling price** RMB/sq.m.
Commercial	439,645	7,627,913	17,350
Residential	1,122,317	13,254,022	11,810
Total	1,561,962	20,881,935	13,369

During the year under review, as the marketing capability has stably increased, the target sales has finally been achieved. A connection model with dedicated personnel and duties was established under the internal marketing team. With the collaborative efforts in the choice of location, design and cost control measures, and supported by professional advices and innovation, the Group fostered significant improvement in the quality of numerous projects and realized target sales.

Properties Investment and Property Management Services

To generate a stable and recurring income, the Group also retained and operated certain commercial properties for leasing. As at 31 December 2017, the Group had an aggregate GFA of approximately 4,345,577 square meters (2016: approximately 3,865,950 square meters) held as investment properties (including properties completed and under construction), representing an increase of approximately 12.4% as compared with 2016.

During the year under review, the Group has completed a number of project commencement missions. The three property projects, namely Yangzhou Powerlong Plaza, Shanghai Wujing Powerlong Plaza and Anhui Fuyang Powerlong Plaza, which are operated by the Group, commenced operation successively during the year. Meanwhile, two light-asset projects, namely Zhejiang Yiwu Powerlong Plaza and Chongqing Fuling Powerlong Plaza have also successfully commenced the operation.

Yangzhou Powerlong Plaza is an important product line of the business community, and is its first plaza successfully operated according to the concept of "Super Home". Being the first light-asset project of the Group as well as the first one-stop shopping center for families in the local region, Zhejiang Yiwu Powerlong Plaza commenced its operation with a leasing rate of 100% and achieved a customer flow of 150,000 on the day of its opening.

Benefiting from the business institutions' reform of streamlining of business lines, the Group's management capability output continued to mature and its newly operated projects achieved outstanding performance, realizing the combined effect of the core business competitiveness of the Group.

As at 31 December 2017, the number of shopping malls currently operated and managed by the Group has reached 34, while the Group has also managed two light-asset projects, outperforming other industry players in terms of quantity and area of projects and improved the output management capability of the commercial group. The Group's benchmark project, Hangzhou Binjiang Powerlong City, has completed its first full year of operation with an average daily customer flow of more than 50,000, gaining wide recognition among local market and government.

Hotel Business

The Group continued to develop its hotel business as a source of its long-term recurring income with core businesses in operating international brand hotels and self-owned brand chain hotels. As at 31 December 2017, the Group owned nine international brand hotels, namely Le Meridien Shanghai Minhang (上海閔行寶龍艾美酒店), Radisson Blu Shanghai Pudong Jinqiao (上海寶龍麗笙酒店), Radisson Exhibition Center Shanghai (上海國展寶龍麗筠酒店), Four Points by Sheraton Taicang (太倉寶龍福朋喜來登酒店), Four Points by Sheraton Tai'an (泰安寶龍福朋喜來登酒店), Four Points by Sheraton Qingdao, Chengyang (青島城陽寶龍福朋喜來登酒店), Aloft Haiyang (海陽雅樂軒酒店), Aloft Yancheng (鹽城雅樂軒酒店), Days Hotel Powerlong Chongqing (重慶寶龍戴斯大酒店), as well as owned and managed eight self-owned brand 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), ARTELS+ Huaian Jiangsu (江蘇淮安藝悅酒店), ARTELS+ Fuyang Hangzhou (杭州富陽藝悅酒店), ARTELS+ Collection Lingang Shanghai (上海臨港藝悅精選酒店), ARTELS+ Wujing Shanghai (上海吳涇藝悅酒店) and JUNTELS Binjiang Hangzhou (杭州濱江藝珺酒店).

During the year under review, the Group was committed to develop its self-owned brand of artistic hotels, while successfully managing traditional international brand hotels. Following the opening of a number of artistic hotels under the Group's two major brands ARTELS and ARTELS+, a unique brand of self-owned chain was gradually established to explore the cross industry integration of hotel operation and the culture industry.

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own development pipeline for the forthcoming three to five years. The Group will continue to adhere to the development strategy of "Focus on Shanghai and Intensive Development in Yangtze River Delta" strategy, precisely lay out strategic plans and master the political directions. By strict compliance of the principle of value investment, the Group will remain diversified in its land acquisition channels and step up efforts in collaborative mergers and acquisitions.

As at 31 December 2017, the Group had a quality land bank amounting to a total GFA of approximately 14.1 million square meters, of which approximately 6.1 million square meters were properties under development and construction and approximately 8.0 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, serviced apartments, office buildings and hotels. Currently, approximately two-third of the land bank of the Group is located in the Yangtze River Delta region.

During the year under review, the Group (including joint ventures) upheld cautious and stringent standards on land investment decision, and the following prime land parcels were added to the Group's land bank during the year 2017:

Newly acquired land reserve in 2017 (as at 31 December 2017)

Name of project	Usage	Site area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Ningbo Sanjiang Palace	Residential	52	103.2	41.0%
Ningbo Hi-tech Zone Powerlong Plaza	Commercial	72	252.0	90.0%
Ningbo Powerlong Land	Commercial	25	49.4	82.0%
Shanghai Yangpu District Huanchuang Centre	Commercial	36	109.0	50.0%
Hangzhou Lin'an Baihufan Project	Commercial/residential	95	248.3	82.0%
Jinjiang Powerlong Residence	Commercial/residential	42	126.4	22.5%
Bazhong Powerlong Pavilion	Residential	92	172.4	42.0%
Nanjing Xixia District Project	Commercial	52	251.6	49.9%
Tianjin Beitang Project	Residential	149	173.0	12.5%
Wuxi Powerlong Mansion	Commercial/residential	249	348.1	67.0%
Hangzhou Lin'an Science & Technology City Powerlong Urban Complex Project	Commercial/residential	121	333.4	41.0%
Tianjin Parkview Manor/Tuanbowan Plaza	Commercial/residential	135	234.9	33.0%
Shaoxing Paojiang New District Yangjing Lake Project	Commercial/residential	198	430.0	41.8%
Nantong Lot CR17015 Project	Commercial & office space/residential	150	320.0	41.0%
Ningbo New Long Island Garden	Residential	78	155.6	41.0%
Nanjing Gaochun Project	Commercial/residential	80	157.3	82.0%
Zhoushan Putuo Project	Commercial/residential	102	173.9	50.0%
Zhoushan Xincheng Lot LKC-4–11 Project	Commercial	90	223.6	41.0%
Total		1,816	3,862.1	

* Total GFA excludes underground and car parking spaces.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises property sales, rental income from investment properties, income from property management services and income of other property development related services. During the year ended 31 December 2017, the Group recorded a total revenue of approximately RMB15,593 million (2016: approximately RMB14,296 million), representing an increase of approximately 9.1% when compared to the corresponding period in 2016. This was attributable to the increase in income from each business segment.

Property Sales

During the year under review, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. The revenue from projects sold and delivered for the year ended 31 December 2017 amounted to approximately RMB13,302 million (2016: approximately RMB12,530 million), representing an increase of approximately 6.2% when compared with the corresponding period in 2016. This was mainly attributable to the increase in sales of residential properties.

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

		For the year ended 31 December 2017		
		GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB'000)	Average selling price (RMB/sq.m.)
Shanghai Qibao Powerlong City	Commercial	35,642	984,975	27,635
Shanghai Hongqiao Powerlong Land	Commercial	9,461	133,323	14,092
	Residential	185	3,208	17,341
Shanghai Baoshan Powerlong Plaza	Commercial	576	15,717	27,286
Shanghai Lingang Powerlong Mansion	Commercial	1,393	36,135	25,940
	Residential	44,722	859,352	19,215
Shanghai Wujing Powerlong Plaza	Commercial	18,246	453,821	24,872
Shanghai Qingpu Powerlong Plaza	Commercial	31,748	620,478	19,544
Shanghai Jiading Powerlong Plaza	Commercial	2,358	88,835	37,674
Shanghai Lingang Powerlong City Plaza	Commercial	5,528	139,821	25,293
Changzhou Powerlong Plaza	Commercial	40,343	253,333	6,279
Wuxi Wangzhuang Powerlong Plaza	Residential	662	3,738	5,647
Wuxi Yuqi Powerlong Riverside Garden	Residential	1,354	6,322	4,669
Zhenjiang Powerlong Plaza	Commercial	16,444	121,127	7,366
	Residential	105,663	609,260	5,766
Suzhou Taicang Powerlong Plaza	Commercial	154	965	6,266
Huai'an Powerlong Land	Commercial	14,480	105,008	7,252
Hangzhou Xiasha Powerlong Plaza	Commercial	28,684	403,728	14,075
	Residential	1,346	26,694	19,832
Hangzhou Binjiang Powerlong City	Commercial	2,810	119,304	42,457
Hangzhou Fuyang Powerlong Plaza	Commercial	9,530	148,400	15,572
	Residential	3,938	47,099	11,960
Tianjin Powerlong City	Commercial	21,953	484,659	22,077
	Residential	266,383	2,162,843	8,119
Dongying Powerlong Plaza	Commercial	6,146	37,773	6,146
	Residential	1,508	11,509	7,632

		For the year ended 31 December 2017		
		GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB'000)	Average selling price (RMB/sq.m.)
Qingdao Licang Powerlong Plaza	Commercial	1,025	10,507	10,251
Qingdao Jimo Powerlong Plaza	Residential	702	2,839	4,044
Jiaozhou Powerlong Plaza	Commercial	10,320	101,544	9,840
Jiaozhou Powerlong Art Villa	Commercial	12,351	77,517	6,276
	Residential	63,339	830,234	13,108
Tai'an Powerlong Plaza	Commercial	185	1,312	7,092
Yantai Penglai Powerlong Plaza	Commercial	24,996	184,416	7,378
	Residential	12,233	86,512	7,072
Yantai Haiyang Powerlong City	Residential	14,393	66,029	4,588
Yantai Laishan Powerlong Plaza	Commercial	7,780	55,440	7,126
Luoyang Powerlong Plaza	Commercial	61,368	385,461	6,281
	Residential	205	2,316	11,298
Xinxiang Powerlong Plaza	Commercial	4,574	57,371	12,543
	Residential	3,774	20,895	5,537
Chongqing Hechuan Powerlong Plaza	Commercial	14,271	76,597	5,367
	Residential	31,541	130,234	4,129
Xiamen Powerlong One Mall	Commercial	2,411	70,594	29,280
Quanzhou Anxi Powerlong Plaza	Commercial	1,924	31,101	16,165
Quanzhou Jinjiang Powerlong Plaza	Commercial	4,114	18,686	4,542
	Residential	36,852	243,278	6,601
Quanzhou Yongchun Powerlong Plaza	Commercial	8,914	78,718	8,831
	Residential	145,119	765,511	5,275
Zhangzhou Yunxiao General Avenue No. 1	Commercial	14,009	114,501	8,173
	Residential	7,308	36,478	4,992
Fuyang Powerlong Plaza	Commercial	33,832	457,662	13,527
	Residential	257,658	1,518,699	5,894
Total		1,446,455	13,301,879	9,196
	Commercial	447,570	5,868,829	13,113
	Residential	998,885	7,433,050	7,441

Rental Income from Investment Properties and Income from Property Management Services

For the year ended 31 December 2017, the Group recorded rental income from investment properties of approximately RMB856 million (2016: approximately RMB600 million), representing an increase of approximately 42.7% when compared to the corresponding period in 2016.

For the year ended 31 December 2017, income from property management services is mainly generated from provision of property management services and rental assistance services projects developed by the Group. The net income after elimination of intra-group transactions amounted to approximately RMB948 million (2016: approximately RMB791 million), representing an increase of approximately 19.8% as compared to the corresponding period in 2016.

For the year ended 31 December 2017, rental income from investment properties and income from property management services fee amounted to approximately RMB1,804 million (2016: approximately RMB1,391 million), representing an increase of approximately 29.7% as compared to the corresponding period in 2016. In addition to the increasing areas of properties held and commercial and residential properties managed by the Group, the new merchants matched the local consumer demand and the market penetration rate was increased as a result of the continuous enhancement of the commercial operating capability.

Income of Other Property Development Related Services

Income of other property development related services mainly comprises income from hotel operation, and construction and decoration services. For the year ended 31 December 2017, the Group's other income amounted to approximately RMB487 million (2016: approximately RMB375 million), representing an increase of approximately 29.9% as compared to the corresponding period in 2016. It was mainly attributable to the year-on-year increase in income from hotel operation of the Group.

Cost of Sales

Cost of sales mainly represents the direct cost related to the property development of the Group. It comprises cost of land use rights, construction costs and other costs. Cost of sales for the year ended 31 December 2017 increased by approximately 8.9% to approximately RMB10,368 million (2016: approximately RMB9,517 million) as compared with 2016, which was mainly due to the increase in GFA of properties sold and delivered, leading to increase in total cost.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2017, gross profit increased by approximately 9.4% to approximately RMB5,225 million (2016: approximately RMB4,778 million) as compared with the corresponding period in 2016. Gross profit margin increased slightly from 33.4% in 2016 to 33.5% in 2017.

Fair Value Gains on Investment Properties

For the year ended 31 December 2017, the Group recorded revaluation gains of approximately RMB2,135 million (2016: approximately RMB1,520 million), representing an increase of approximately 40.5% over the amount in 2016. The revaluation gains were mainly due to the increase in the value of the investment properties located in the established business circles.

Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs and administrative expenses for the year ended 31 December 2017 amounted to approximately RMB1,395 million (2016: approximately RMB1,238 million), representing an increase of approximately 12.7% over 2016, mainly attributable to growth in business, leading to 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

Share of post-tax profit of investments accounted for using the equity method amounted to approximately RMB197 million (2016: approximately RMB314 million), representing a decrease of approximately 37.3% as compared with 2016. The decrease was mainly due to a decrease in profit from joint ventures.

Income Tax Expenses

Income tax expenses amounted to approximately RMB2,280 million (2016: approximately RMB1,959 million) for the year ended 31 December 2017, increased by approximately 16.4% as compared with 2016, primarily due to the increase of PRC corporate income tax.

Profit Attributable to Owners of the Company

For the year ended 31 December 2017, the Group recorded profit attributable to owners of the Company of approximately RMB3,337 million (2016: approximately RMB2,465 million), representing an increase of approximately 35.4% over 2016.

For the year ended 31 December 2017, basic earnings per share was approximately RMB84.1 cents (2016: approximately RMB62.3 cents), representing an increase of approximately 35.0% over 2016.

Core profits (being the profit for the year after excluding the profit attributable to fair value gains on investment properties) for the year ended 31 December 2017 reached approximately RMB2,266 million (2016: approximately RMB1,609 million), representing an increase of approximately 40.8% as compared with 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 borrowings and cash proceeds raised from issuance 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 RMB9,962 million in total as at 31 December 2017 (2016: approximately RMB10,148 million), representing a decrease of approximately 1.8% as compared with the end of 2016.

Borrowings

Total borrowings of the Group as at 31 December 2017 was approximately RMB35,536 million (2016: approximately RMB30,026 million), representing an increase of approximately 18.4%. The Group's borrowings comprises bank and other borrowings of approximately RMB18,423 million, senior notes of approximately RMB5,567 million and corporate bonds of approximately RMB11,546 million.

Out of the total borrowings, approximately RMB9,756 million was repayable within one year, while approximately RMB25,780 million was repayable after one year.

On 19 July 2017, the Company issued senior notes at 99.191% discount in an aggregate amount of USD200 million, with a nominal interest rate of 5.95% per annum and maturity date of 19 July 2020.

On 28 July 2017, the Company issued senior notes at 99.196% discount in an aggregate amount of USD100 million, with a nominal interest rate of 5.95% per annum (consolidated and formed a single series with the USD200 million 5.95% senior notes due 2020 issued on 19 July 2017) and maturity date of 19 July 2020.

On 29 August 2017, Shanghai Powerlong Industrial Development Co., Ltd., a wholly-owned subsidiary of the Company, issued the first tranche of medium-term notes of 2017 in an aggregate amount of RMB1,000 million, with a nominal interest rate of 6.8% per annum and maturity date of 30 August 2020.

Net Gearing Ratio

As at 31 December 2017, the Group had a net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of approximately 86.8% (31 December 2016: approximately 76.6%).

Borrowing Cost

Total interest expenses as at 31 December 2017 amounted to approximately RMB2,023 million, representing an increase of approximately 24.3% as compared to RMB1,627 million in 2016. The increase was mainly due to the increase in total borrowings during the period. The effective interest rate increased slightly from 6.18% for 2016 to 6.29% for 2017, which was due to fluctuation of the capital market. The Group will continue to implement stringent control over finance costs.

Credit Policy

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

Pledge of Assets

As at 31 December 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 RMB33,590 million (2016: approximately RMB27,658 million) to secure borrowings of the Group. The total secured bank and other borrowings as at 31 December 2017 amounted to approximately RMB18,769 million (2016: approximately RMB13,776 million). The above senior notes are guaranteed by certain subsidiaries and non-PRC joint ventures and secured by pledges of the shares of these subsidiaries and non-PRC joint ventures.

Contingent Liabilities

As at 31 December 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:

	31 December	
	2017	2016
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**11,378,429**	9,290,180
Guarantees for borrowings of joint ventures	**1,519,000**	1,895,000
	12,897,429	11,185,180

Commitments

(1) Commitments for property development expenditures

	31 December	
	2017	2016
	RMB'000	RMB'000
Contracted but not provided for:		
Property development activities	**4,132,025**	5,432,836
Acquisition of land use rights	**46,660**	85,540
	4,178,685	5,518,376

(2) *Operating leases commitments*

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

	31 December 2017 RMB'000	2016 RMB'000
Not later than one year	**5,249**	3,645
Later than one year and not later than two years	**863**	3,005
Later than two years and not later than three years	**102**	424
	6,214	7,074

POSSIBLE RISKS AND UNCERTAINTIES

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

Business Risk

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

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

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. As at 31 December 2017, the Group's financial assets or liabilities denominated in currencies other than Renminbi were mainly borrowings denominated in USD or HKD, in the total amount of approximately RMB8,013 million. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pay to shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Financial Risk

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

MATERIAL ACQUISITION AND DISPOSAL

For the year ended 31 December 2017, the Group did not have any material acquisition or disposal of subsidiaries and associated companies.

EMPLOYEES AND EMOLUMENT POLICY

For the year ended 31 December 2017, the Group employed a total of 9,718 employees (2016: 8,719 employees) on full time basis. The total staff costs of the Group for the year under review was approximately RMB1,055 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the pay level in the industry. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

The Group has also adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations.

The Group has also adopted a share award scheme (the "Share Award Scheme") in order to appreciate and provide incentive to employees of the Group for their contribution. The Group has terminated the Share Award Scheme on 26 October 2017. Further information in relation to the Share Option Scheme and the Share Award Scheme are set forth in the "Report of the Directors" in this annual report.

Directors and Senior Management

EXECUTIVE DIRECTORS

HOI Kin Hong, aged 66, is an executive Director and the Chairman of the Board. He is primarily responsible for the overall strategy and investment decisions of the Group. Mr. Hoi is a standing committee member of the Chinese People's Political Consultative Conference and of the plenary meeting of the Selection Committee of the Macau Special Administrative Region of the People's Republic of China. Mr. Hoi founded Powerlong Group Development Co., Ltd. (the "Xiamen Powerlong Group") in 1992 and has served as its Chairman. Since the establishment of Xiamen Powerlong Group, he has been engaged in the real estate development business, and has completed the development of several residential projects. He started to specialize in the development of commercial properties in 2003. Mr. Hoi has, for a number of times, been recognized as a Contributor to Real Estate Brands in China by the China Real Estate Top 10 Research Team since 2006. In addition, Mr. Hoi was also awarded various honours such as the Most Influential Entrepreneur in China, China Celebrities Achievement Award "10 Outstanding Masters", Top 30 People in motivating Chinese Economy over the 30 years of China's reformation, the Outstanding Leader in the Commercial Real Estate Industry in China, China Top 100 Real Estate Entrepreneurs, Contributor of China Top 100 Real Estate Entrepreneurs, Charity Special Contribution Award of China, Award for Excellence in the 20th Anniversary of China Guangcai Program Outstanding Contribution Award and Top 10 People for commerce and community in Fujian. Mr. Hoi is the father of Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, an executive Director and a non-executive Director, respectively.

HOI Wa Fong, aged 40, is an executive Director and Chief Executive Officer of the Company. He is primarily responsible for the overall management of the business operations of the Group. Mr. Hoi Wa Fong is a member of All-China Federation of Returned Overseas Chinese, a member of All-China Youth Federation, a director of China Overseas Friendship Association, a member of Chinese People's Political Consultative Conference for the city of Shanghai, Vice Chairman of China Real Estate Chamber of Commerce, an executive chairman of Shanghai Nonlocal Enterprises Federation, vice-chairman of the Fujian Youth Federation and chairman of World Jinjiang Youth Association. He graduated from the School of Management of Xiamen University and received an EMBA from the Cheung Kong Graduate School of Business. He is currently pursuing a DBA at the Cheung Kong Graduate School of Business. He started to work as an intern in Xiamen Powerlong Group in 1999 and joined the Group upon graduation from Xiamen University in 2003. He held various positions including vice general manager, general manager, vice president, chief vice president and chief executive officer. He was awarded Top 10 New Leaders in the Real Estate Industry in the PRC, one of the Top 10 Outstanding Young Entrepreneurs in Fujian Province, New Person of the Year in the Real Estate Industry in the PRC from CIHAF, Most Influential People in the Real Estate Industry in the PRC, Person of the Year in China Commercial Real Estate Value List, Outstanding Individual Among Returned Overseas Chinese and Family Members and so forth. Mr. Hoi Wa Fong is the son of Mr. Hoi Kin Hong, an executive Director and the Chairman of the Board.

XIAO Qing Ping, aged 69, is an executive Director and the Deputy Chief Executive Officer of the Company. Mr. Xiao is primarily responsible for the human resources and administrative management of the Group, and the overall management for hotel business of the Group. He was an officer of Jinjiang Bureau of Land Administration from 1997 to 1999. He has over 30 years of experience in administration management. He joined Xiamen Powerlong Group in October 2001 as vice president and head of administration. In November 2007, he resigned from his position in Xiamen Powerlong Group and joined the Group as an executive Director. He graduated from China Textile Political Distance Learning College in 1988, majoring in economic management.

SHIH Sze Ni, aged 37, is an executive Director. Ms. Shih is fully responsible for the overall commercial operation of the Group. Ms. Shih graduated from Central Queensland University in Australia with a master's degree in arts administration, and obtained an EMBA degree from the Cheung Kong Graduate School of Business in September 2014. She joined Xiamen Powerlong Hotel in January 2003 as a director. She then joined Xiamen Powerlong Group in 2005 as a director and general manager of the finance department. In November 2007, she held the positions of executive Director, general manager of supervision department and cost control centre. She has been fully directing the operation of the Commercial Group under the Group since April 2011. Ms. Shih Sze Ni is the wife of Mr. Hoi Wa Fong, an executive Director.

ZHANG Hong Feng, aged 50, is an executive Director, an executive vice president and general manager of Business Division 2 of the Company. Mr. Zhang is fully responsible for the operation and management of Business Division 2 and its subsidiary real estate companies. Mr. Zhang was a department manager of Tianyu Real Estate Company (天宇房地產公司), an assistant to the general manager of Anbao Real Estate Development Company Limited (安寶房地產開發有限公司), deputy general manager of the real estate centre of Xiamen Powerlong Group, an executive director of Suzhou Powerlong Real Estate Development Company Limited (蘇州寶龍房地產發展有限公司), an executive director of Suqian Powerlong Property Development Company Limited (宿遷寶龍置業發展有限公司), a general manager of Suqian Powerlong Commercial Property Management Company Limited (宿遷寶龍商業物業管理有限公司), a general manager of Tianjin Powerlong City Company, a regional deputy general manager of the southern region, a general manager of project management centre, a vice president and a general manager of companies in other provinces and regions of the Company, a vice president of the Company and a general manager of operation management centre. He was responsible for the operation platform and the person-in-charge of operation management centre, cost control centre and technology development centre of the Company. He obtained a bachelor's degree in industrial electrical automation from Guangxi University in July 1989 and received an EMBA from Tongji University in December 2015. He joined the Company in December 2004 and was appointed as an executive Director on 14 October 2015.

NON-EXECUTIVE DIRECTOR

HOI Wa Fan, aged 42, is a non-executive Director. Ms. Hoi is the managing director of Companhia de Construcao e Investmento Predialpou Long, Limitada (寶龍集團發展有限公司) and is responsible for the overall management and business development of Companhia de Construcao e Investmento Predialpou Long, Limitada (寶龍集團發展有限公司). Since 2000, she has been the managing director of Nicole Boutique, a fashion brand concept store in Macau. In December 2011, she established Ultra City Co., Ltd. and held the position of managing director. She was responsible for the overall management of business operation of Ultra City Co., Ltd. Ms. Hoi is the daughter of Mr. Hoi Kin Hong, an executive Director and the Chairman of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

NGAI Wai Fung, aged 56, is an independent non-executive Director, the chief executive officer of SW Corporate Services Group Limited, a specialty company secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. He has over 20 years of senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and secretarial work for listed issuers including major red chips companies. Mr. Ngai had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. He was the President of Hong Kong Institute of Chartered Secretaries (2014-2015) and a member of the Working Group on Professional Services under the Economic Development Commission of the Hong Kong Special Administrative Region (2013–2018). He is a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants, a member of the General Committee of the Chamber of Hong Kong Listed Companies and Finance Expert Consultant of the Ministry of Finance of the PRC. Mr. Ngai is currently an independent non-executive director of BaWang International (Group) Holding Limited, Bosideng International Holdings Limited, Health and Happiness (H&H) International Holdings Limited (formerly known as Biostime International Holdings Limited), Beijing Capital Grand Limited (formerly known as Beijing Capital Juda Limited), SITC International Holdings Company Limited, Yangtze Optical Fibre and Cable Joint Stock Limited Company, BBMG Corporation, China HKBridge Holdings Limited, TravelSky Technology Limited and China Communications Construction Company Limited, also the independent director of LDK Solar Co., Ltd. and SPI Energy Co. Ltd.. Apart from LDK Solar Co., Ltd. and SPI Energy Co. Ltd., which are now listed on the OTC Pink Limited Information and Nasdaq respectively, all of which are companies listed on the Hong Kong Stock Exchange and/or the Shanghai Stock Exchange. Mr. Ngai is a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of the Hong Kong Institute of Chartered Secretaries, a fellow of Hong Kong Institute of Directors and a member of Hong Kong Securities and Investment Institute. Mr. Ngai received a doctoral degree in finance at Shanghai University of Finance and Economics in 2011, a master's degree in corporate finance from Hong Kong Polytechnic University in 2002, a bachelor honor degree in laws from University of Wolverhampton in the United Kingdom in 1994 and a master's degree in business administration from Andrews University of Michigan in the United States in 1992.

Mr. Ngai was an independent non-executive director of China Railway Construction Corporation Limited, Sany Heavy Equipment International Holdings Company Limited, China Coal Energy Company Limited and China Railway Group Limited.

MEI Jian Ping, aged 58, is an independent non-executive Director. Mr. Mei has been a professor of finance at Cheung Kong Graduate School of Business since 2006. He was an assistant professor from 1990 to 1995 at New York University, and an associate professor of finance at the same university from 1996 to 2005. From 2003 to 2008, he was a visiting professor at Tsinghua University. Mr. Mei has been a director of Cratings.com Inc. since 1999. Mr. Mei has served as the member of the board of directors of Zhong De Securities Company Limited since 2009. He has published a number of books and articles on topics related to finance. Mr. Mei received a bachelor degree in mathematics from Fudan University in 1982, a master degree in economics and a doctorate in economics (finance) from Princeton University in 1988 and 1990, respectively. He was appointed as an independent non-executive Director of the Company in June 2008. He was also appointed as an independent non-executive director of MI Energy Holdings (HK stock code: 1555) and China Rundong Auto Group Limited (HK stock code: 1365) in 2010 and 2014 respectively. He was also appointed as an independent non-executive director of HSBC Jintrust Fund Management Company Limited in 2015. He was also appointed as independent director of Cultural Investment Holdings Co., Ltd. (SH stock code: 600715) in 2016.

DING Zu Yu, aged 45, is an independent non-executive Director. He is the chief executive officer of E-House Corporate Group (易居企業集團), the chairman of CRIC Information Technology Group (克而瑞信息集團) and the general manager of Beijing Institute of Housing Technical Services Association Ltd (北京中房研協技術服務有限公司). He is also an independent director of Sanxiang Co., Ltd (三湘股份有限公司) (SZ stock code: 000863). Save as the above, he had also held various positions in China Real Estate Information Group Co., Ltd (中國房產信息集團) in the past including as a co-president and an executive director from September 2009 to April 2012. He is also currently assuming important positions in other professional associations and bodies within the PRC real estate industry. He serves as a vice principal of the E-House Research and Training Institute (易居研究院). He is also an executive committee member of the China Real Estate Association (中國房地產協會), an adviser on the real estate market for the China's Ministry of Housing and Urban-Rural Development (國家住房和城鄉建設部房地產) and a member of standing committee of CPPCC of Jing'an District in Shanghai (上海市靜安區政協). He was named as "Shanghai Outstanding Young Merchant" (上海傑出青年企業家) in 2012 and was named one of the "Top Ten Shanghai Young Merchants" (上海十大傑出青年企業家) for 2011 to 2012. He received his bachelor's degree in real estate economics in 1998 and his Ph.D. in economics in 2013 from the East China Normal University.

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

SENIOR MANAGEMENT

LIAO Ming Shun, aged 54, is the vice president and the Chief Financial Officer of the Company. Mr. Liao is responsible for the overall capital operation, financing, taxation and integrated financial control of the Company. He served senior management positions in various large-scale enterprises. Prior to joining the Company, he was the director, chief financial controller and general manager of the finance company of the Ministry of Agriculture of Fujian Province and Fujian Great World Enterprises Group Company Limited, the independent director of Fujian Dongbai Enterprise Group Company Limited (SH stock code: 600693), the vice secretary general of private branch of Fujian Accounting Institute, the secretary general of real estate branch of Fujian Taxpayers' Club. He obtained a bachelor's degree in Rural Finance from Fujian Agriculture and Forestry University, and was awarded a master's degree by the Graduate School of Chinese Academy of Social Sciences. He is also qualified as a Senior Accountant, Senior Economist, International Public Accountant (IPA), Certified Taxation Accountant (CTA), Financial Planner and the Judge Panel of the Committee of China's Corporate Financial Valuation Experts. He was awarded one of the "Top CFOs for 2012 by the Xinlicai Magazine of Ministry of Finance", "2013 China's Financial Value Leadership Award", "2014 Huazun Award – Top 10 most Respected Brand Builders who promoted the economic development of the industry","2015 CFODC – China's Top 10 Capital Operators" and "2017 Asia 10 Brand Innovation Personality Award" awarded by the Asia Brand Ceremony Committee. He joined the Company in August 2009.

HONG Qun Feng, aged 45, is the vice president of the Company and general manager of Powerlong Land Development Limited, and is responsible for overall operation and management of business of Powerlong Land. Mr. Hong was the property manager of Xiamen Jindu Property Management Co. Ltd. (廈門金都物業管理有限公司), assistant to the general manager of Xiamen Chengyi Property Development Co. (廈門誠毅房地產開發公司) and the founder and general manager of Xiamen Bairun Property Consulting Co. Ltd. (廈門百潤房地產顧問有限公司). He received an EMBA from Tongji University in 2015. He joined the Company in 2005.

LV Cui Hua, aged 42, is a vice president and the general manager of the cost control centre of the Company and leads operation management centre and technology management centre and is responsible for development and operation and cost control management. Ms. Lv was the person-in-charge of the cost control department of Youfu (Shanghai) Company Limited (友富(上海)有限公司) and person-in-charge of the contract department of CapitaLand China. She is a National Registered Constructor and a senior engineer. She is currently studying for an EMBA at Tongji University. She joined the Company in May 2010.

HUANG Yao Ming, aged 44, is a vice president and the general manager of the investment development centre of the Company and is responsible for project expansion and acquisition of land reserve of the Company. He served senior positions of investment, expansion and management in various large-scale enterprises. Prior to joining the Company, he was the general manager of investment department in Huali Property Group (華立地產集團), the chief investment officer of Xianjin Group Korean Company Limited (韓國株式會社現進集團), and the vice president of Shanghai Mingbang Investment Company (上海銘邦投資公司). He obtained a bachelor's degree in Real Estate Operation and Management from Shanghai Tongji University, and was awarded a master's degree in Technical Economics and Management by Shanghai Tongji University. He is also qualified as an Intermediate Economist and China Certified Real Estate Appraiser. He joined the Company in March 2010.

SHEN Jian Zheng, aged 49, is a vice president and general manager of marketing management centre of the Company and is responsible for the overall marketing control of the Company. He served senior marketing management positions in various large-scale enterprises. Prior to joining the Company, he was the assistant to the general manager of Longyan Lvhengxing Construction (龍岩龍興建設), the sales director of Xiamen Haifa Property (廈門海發房地產) and marketing director of Yuehua New Property Group (悦華新房產集團). He obtained a bachelor's degree in Finance in Xiamen University, Fujian. He joined the Company in August 2007.

XIA Guo Yue, aged 56, is the general manager of the hotel business of the Company and is responsible for overall hotel construction and operation control of the Company. He served senior management positions in various large-scale enterprises. Prior to joining the Company, he was the general manager of Crown Plaza Hangzhou (杭州皇冠大酒店), the general manager of Longhill Hotel Hangzhou (杭州龍禧大酒店), and the executive president of China Yuanzhou Group Hotel Management Company (中國遠洲集團酒店管理公司). He obtained bachelor's degree in Tourism in Zhejiang University, and Certified Hotel Administrator (CHA) from the American Hotel & Lodging Association (AHLA). He is the lecturer of tourism and management in Zhejiang University School of Management, the executive vice chairman of Hospitality Asset Managers Association China (HAMA), the expert member of Hospitality Culture Professional Committee of China Hospitality Association, and the vice president of the Planning, Design and Decoration Committee of China Hospitality Association. He was awarded the Top 10 Hoteliers of the Year by the 13th China Hotel Starlight Awards, and the Honor Badge of China's Hospitality – Honor of Contributor to China's Hotel Development by China National Tourism Administration. He joined the Company in April 2007.

XIAO Ying Lin, aged 44, is a company secretary of the Company and secretary of the Board. Ms. Xiao is responsible for the listing and compliance management of the Company. She is a fellow member of The Institute of Chartered Secretaries and Administrators of the United Kingdom and The Hong Kong Institute of Chartered Secretaries as well as a member of The Chinese Institute of Certified Public Accountants. Ms. Xiao also acted as a company secretary and secretary of the board of Lianhua Supermarket Holdings Co., Ltd. (HK stock code: 0980). She has 17 years of extensive experience in the company secretarial, capital operation, compliance, information disclosure and investor relations fields. She holds a master degree in Finance from the Shanghai Academy of Social Sciences in 2000. She acted as a company secretary of the Company from October 2012 to October 2015 and rejoined the Company in October 2016.

Corporate Governance Report

The board of directors of the Company (the "Board") is pleased to present this Corporate Governance Report for the year ended 31 December 2017.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company focuses on maintaining high standard of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more values for its shareholders. The Board continuously reviews and improves the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders. During the year ended 31 December 2017, the Company has complied with all applicable code provisions in Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"). The details are set forth below.

BOARD OF DIRECTORS

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

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

Composition of the Board

The Board currently consists of nine members, with five executive Directors, one non-executive Director and three independent non-executive Directors. During the year ended 31 December 2017, the Company had at all times complied with Rule 3.10 and Rule 3.10A of the Listing Rules. The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision-making. The Board believes that the non-executive Directors and independent non-executive Directors have brought their independent judgment on issues in connection with the Group's strategies, performance, conflict of interests and management process so that the interests of all shareholders are considered and safeguarded.

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

Practice and conducts of meetings

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

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

During the year ended 31 December 2017 and up to the date of this report, the Board consists of the following Directors and attendance of each Director at four Board meetings and the annual general meeting of the Company held during the year ended 31 December 2017 is set out as follows:

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

Board Diversity Policy

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

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

Appointment and re-election of Directors

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

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

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

Directors' Responsibilities for the Financial Statements

The Directors acknowledged their responsibilities for preparation of the consolidated financial statements for the financial year ended 31 December 2017 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year ended 31 December 2017 and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

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

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

Pursuant to Code A.6.5 of the CG Code, the Company encourages all Directors to participate in continuing professional development in order to develop and refresh their knowledge and skills. During the year ended 31 December 2017, the Company has offered professional training to Directors by way of seminar. The training is summarized as follows:

Title of seminar:	Introduction to the latest regulations of Hong Kong listed companies
Date of seminar:	18 December 2017
Presenter:	Mr. Wang Yan Feng, China Co-Managing Partner, Clifford Chance
Directors attended:	Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni, Mr. Zhang Hong Feng, Ms. Hoi Wa Fan, Mr. Ngai Wai Fung, Mr. Mei Jian Ping, Mr. Ding Zu Yu

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made of all Directors and all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 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 unpublished inside information of the Group or its securities due to their offices or employment, are also subject to compliance with written guidelines no less exacting than the Model Code.

During the year ended 31 December 2017, no incident of non-compliance with the Model Code and the written guidelines by the Directors and the Relevant Employees was noted by the Company to date.

BOARD COMMITTEES

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

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

AUDIT COMMITTEE

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

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

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

- review the financial statements, reports and consider any significant or unusual items raised by the external auditor before submission to the Board;

- review and monitor the relationship with the external auditor of the Company by reference to the work performed by the external auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor;

- review the adequacy and effectiveness of the Company's financial controls, internal control system, risk management system and the associated procedures; and

- develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.

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

During the year ended 31 December 2017, the Audit Committee held two meetings to review the financial results, to make recommendations to improve the Group's risk management and internal control and to review continuing connected transactions of the Group. The chief financial officer of the Company and representatives of the external auditor of the Company attended the meetings.

Attendance of individual members of the Audit Committee at the meetings held during the year ended 31 December 2017 is set out as follows:

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

REMUNERATION COMMITTEE

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

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

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

During the year ended 31 December 2017, the Remuneration Committee held one meeting to review and consider the remuneration packages for the Directors and senior management of the Company.

Attendance of individual members of the Remuneration Committee at the meeting held during the year ended 31 December 2017 is set out as follows:

Remuneration Committee Members	Attendance/ Number of Remuneration Committee meetings held during year
Mr. Mei Jian Ping	1/1
Mr. Hoi Wa Fong	1/1
Mr. Ding Zu Yu	1/1

NOMINATION COMMITTEE

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

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

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

During the year ended 31 December 2017, the Nomination Committee held one meeting to approve the nomination of the Executive Directors of the Company, review the structure of the Board and confirm the compliance of the composition of the Board with the Board diversity policy adopted by the Company.

Attendance of individual members of the Nomination Committee at the meeting for the year ended 31 December 2017 is set out as follows:

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2017. The assessment was made by discussions with the management of the Company, its external and internal auditors and the review performed by the Audit Committee. The Board believes that the existing internal control and risk management systems are adequate and effective.

ANNUAL REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2017 is set out as below:

Annual remuneration by band	Number of individuals
RMB800,001 and above	7
RMB600,001 to RMB800,000	1
RMB600,000 and below	10

Details of the remuneration of the Directors for the year ended 31 December 2017 are set out in note 43 to the financial statements.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of external auditor of the Company about his reporting responsibilities on the Group's consolidated financial statements for the year ended 31 December 2017 is set out in the section headed "Independent Auditor's Report" in this annual report.

For the year ended 31 December 2017, the fee paid/payable to the external auditor of the Company in respect of audit services and non-audit services is set out as follows.

	Fee paid/payable (RMB' million)
Audit services:	
• Annual audit (including Hong Kong Standard on Review Engagements 2410 review on interim results)	5.1
Non-audit services:	
• Services rendered in respect of bonds issuance by the Group	0.9

SHAREHOLDER RELATIONS

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

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

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

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

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

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

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

During the year ended 31 December 2017, there was no change in the constitutional documents of the Company.

INVESTOR RELATIONS OVERVIEW

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

In 2017, the Company was invited to participate in eleven Asian forums and conferences held by various investment banks and financial institutions meeting approximately 500 investors. Investor relations activities are not only helpful in promoting bilateral communications between the Company and the public and acting as an effective channel for information exchange, but also further enhance transparency of the Company in the capital market, thereby improving investors' relationship of the Group

The Company participated in the following major investor relations activities in 2017:

January:	9th Scaling New Heights Asia Investment Forum 2017
January:	HKIRA Stock Shenzhen Onshore Corporate Access Day
June:	Deutsche Bank 21st Annual European Leveraged Finance Conference
June:	Citi's Asia Pacific Property Conference 2017
November:	Citi's China Investor Conference 2017
November:	Jefferies 7th Annual Greater China Summit
November:	BofAML 2017 China Conference
November:	Gelonghui "Battles in HK Stock Market 2017" (Shenzhen)
November:	Gelonghui "Battles in HK Stock Market 2017" (Shanghai)
December:	Gelonghui "Battles in HK Stock Market 2017" (Beijing)
December:	Gelonghui "Battles in HK Stock Market 2017" (Guangzhou)

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

Telephone number:	+852-2169 1955
By post:	8/F, Powerlong Tower, 1399 Xinzhen Road, Minhang District, Shanghai, China
	Unit 5813, 58/F, The Center, 99 Queen's Road Central, Hong Kong
Attention:	Mr. Fred Tao/Ms. Jin Hong/Ms. Zhang Shiyu
By email:	ir@powerlong.com

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, property investment, property management services, and other property development related services. Details of the principal activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out on pages 68 to 170 of this annual report.

At the Board meeting held on 26 March 2018, the Board recommends the payment of a final dividend of HK$19.6 cents per ordinary share for the year ended 31 December 2017. The final dividend is subject to the approval by shareholders of the Company (the "Shareholders") at the annual general meeting to be held on Friday, 8 June 2018 (the "Annual General Meeting"). The final dividend, if approved by the Shareholders, will be paid on or around Thursday, 12 July 2018 to the Shareholders whose names appear on the register of members of the Company on Friday, 22 June 2018.

In order to be qualified for the final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 15 June 2018.

Together with the interim dividend of HK$5.4 cents per ordinary share for the six months ended 30 June 2017 and paid on 15 November 2017, the total dividend for the year of 2017 amounts to HK$25 cents per ordinary share.

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

RESERVES

Details of movement in the reserves of the Group and the Company for the year ended 31 December 2017 are set out in the consolidated statement of changes in equity and in note 42(a) to the consolidated financial statements, respectively.

As at 31 December 2017, the reserves of the Company available for distribution were approximately RMB1,817 million (2016: RMB2,384 million).

SHARE CAPITAL

Details of movements in the share capital of the Group during the year under review are set out in note 19 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 171 to 172 of this annual report.

BORROWINGS

Particulars of borrowings of the Company and the Group as at 31 December 2017 are set out in note 22 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

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

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion of the Group's future business development are set out in the Chairman's Statement on pages 8 to 12 of this annual report. Description of possible risks and uncertainties facing the Company is set out in the Management Discussion and Analysis on pages 26 to 36 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year ended 31 December 2017 are set out in note 44 to the consolidated financial statements.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

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

Non-executive Director

Ms. Hoi Wa Fan

Independent Non-executive Directors

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

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

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

DIRECTORS' REMUNERATION

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

Details of Directors' remuneration are set out in note 43 to the consolidated financial statements.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the note 37 to the consolidated financial statements and in the section headed "Connected Transactions" below, there was no other contract of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Saved as disclosed above, as at 31 December 2017, none of the Directors or their respective associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

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

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

INDEMNITY AND INSURANCE PROVISIONS

The Articles of Association of the Company provides that every Director shall be entitled to be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses as a result of any act or failure to act in carrying out his/her functions. Such provisions were in force during the course of the financial year ended 31 December 2017 and remained in force as of the date of this report. The Company has also arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

SHARE OPTION SCHEME

Pursuant to the shareholder's resolutions of the Company on 16 September 2009, the Company has adopted a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who will contribute and had contributed to the success of the Group's operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Since the adoption of the Share Option Scheme and up to 31 December 2017, no options had been granted under the Share Option Scheme.

SHARE AWARD SCHEME

A share award scheme was adopted by the Board on 2 December 2010 (the "Share Award Scheme") to recognize and motivate the contributions made to the Group by its employees and to give incentives in order to retain them for the continuous operation and development of the Group. No shares was awarded under the Share Award Scheme during the year under review.

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

On 6 June 2013 and 29 May 2014, the Executive Committee, established by the Board, 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 rules under the Share Award Scheme). Please refer to the announcement of the Company dated 6 June 2013 and 29 May 2014 for the details of the grant.

A summary of the Awarded Shares granted to Eligible Employees (including the executive Directors of the Company) are as follows:

	No. of Awarded Shares		
Name of Awardees	Granted on 6 June 2013	Granted on 29 May 2014	Total
Mr. Hoi Kin Hong	324,000	662,000	986,000
Mr. Hoi Wa Fong	324,000	462,000	786,000
Mr. Xiao Qing Ping	444,000	367,700	811,700
Ms. Shih Sze Ni	230,000	273,400	503,400
Mr. Zhang Hong Feng	92,000	92,300	184,300
Remaining Awardees who are Eligible Employees 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.

On 27 November 2016, the Board resolved to amend the Scheme Rules for the purpose of extending the trust period of the Share Award Scheme. The Company entered into a deed of variation to the Trust Deed (as defined in the announcement of the Company dated 2 December 2016) with HSBC Trustee (Hong Kong) Limited to extend the trust period from 2 December 2016 to 31 December 2017. Details of the amendments to the Share Award Scheme are set out in the announcement of the Company dated 2 December 2016.

On 26 October 2017, the Group terminated the Share Award Scheme. Details of termination of the Share Award Scheme are set out in the announcement of the Company dated 26 October 2017.

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

As at 31 December 2017, the interests of each Director and chief executive officer of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in shares and underlying shares of the Company

Name of Directors	Number of ordinary shares: Personal interests	Number of ordinary shares: Interests of spouse	Number of ordinary shares: Interests of a controlled corporation	Total	Approximate percentage of interests to the issued share capital of the Company (Note 1)
Mr. Hoi Kin Hong	28,465,000	2,800,000	1,805,637,000 (Note 2)	1,836,902,000	45.95%
Mr. Hoi Wa Fong	8,988,000	503,400	578,400,000 (Note 3)	587,891,400	14.71%
Mr. Xiao Qing Ping	811,700	–	–	811,700	0.02%
Ms. Shih Sze Ni	503,400	587,388,000	–	587,891,400	14.71%
Mr. Zhang Hong Feng	184,300	–	–	184,300	0.01%
Ms. Hoi Wa Fan	–	–	185,376,000 (Note 4)	185,376,000	4.64%

Notes:

1. These percentages have been compiled based on the total number of issued shares (i.e. 3,997,303,000 shares) as at 31 December 2017.

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

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

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

Saved as disclosed above, as at 31 December 2017, none of the Directors, chief executive officer of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2017, the interests of substantial shareholders, other than a director or chief executive officer 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:

1. All the interests represent long positions.

2. These percentages have been compiled based on the total number of issued shares (i.e. 3,997,303,000 shares) as at 31 December 2017.

3. Skylong Holdings Limited is wholly and beneficially owned by Mr. Hoi Kin Hong.

4. Sky Infinity Holdings Limited is wholly and beneficially owned by Mr. Hoi Wa Fong.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year under review.

CONNECTED TRANSACTIONS

Certain related party transactions set out in note 37 to the consolidated financial statements also constituted non-exempted connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the connected transactions of the Group during the year under review.

Continuing Connected Transactions

1. Purchase of office equipment from Xiamen Powerlong Information

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

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

Pursuant to the 2015 Equipment Purchase Agreement, it was expected that the transaction amounts payable by the Group for each of the three financial years ended 31 December 2017 would not exceed RMB8,600,000, RMB11,000,000 and RMB14,000,000 respectively. During the year under review, under the 2015 Equipment Purchase Agreement, the total transaction amount incurred in 2017 was RMB652,000, which was within the annual cap.

On 18 December 2017, the Company entered into a renewal agreement with Xiamen Powerlong Information (the "2018 Equipment Purchase Renewal Agreement") to renew the 2015 Equipment Purchase Agreement for a fixed term of three years commencing from 1 January 2018 to 31 December 2020. As all applicable percentage ratios for the maximum annual caps under the 2018 Equipment Purchase Renewal Agreement are less than 0.1%, the transactions as contemplated under the 2018 Equipment Purchase Renewal Agreement is exempt from the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Security service agreement with Fujian Ping An

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

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

Pursuant to the 2016 Security Service Agreement, it was expected that the transaction amounts payable by the Group for each of the three financial years ended 31 December 2018 will not exceed RMB100,000,000, RMB120,000,000 and RMB140,000,000. During the year under review, under the 2016 Security Service Agreement, the total transaction amount incurred in 2017 was RMB43,294,000, which was within the annual cap.

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

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

DISCLOSURE 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 with a view to enhancing investors' confidence to the Company and the Company's accountability. During the year ended 31 December 2017, the Company has complied with all applicable code provisions in Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 42 to 51 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2017 and up to the date of this annual report, the Company has maintained a sufficient public float of more than 25% of the Company's total number of issued shares as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2017 amounted to RMB58,778,000 (2016: RMB70,027,000).

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers who shall retire at the forthcoming Annual General Meeting. A resolution will be proposed at the forthcoming Annual General Meeting for the re-appointment of PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Hoi Kin Hong
Chairman

Hong Kong, 26 March 2018

Independent Auditor's Report

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 170, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

BASIS FOR OPINION

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

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

Independence

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

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

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

- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to notes 4 and 8 to the consolidated financial statements The Group's investment properties are stated at fair value. As at 31 December 2017, the Group's investment properties amounted to RMB39.2 billion, which represents 41% of the Group's total assets, and the fair value gains on investment properties for the year ended 31 December 2017 amounted to RMB2.1 billion. Independent external valuations were obtained for the Group's investment properties (including completed and under construction) in order to support management's estimates. The valuations of investment properties are dependent on certain key assumptions that require significant management judgement, including term yields and reversionary yields, fair market rents and fair market prices. The valuations of investment properties under construction are also dependent upon the estimated costs to complete. We paid significant attention to this area due to the material balance and fair value gain of investment properties to the consolidated financial statements of the Group and there is critical judgement involved in determining the critical assumptions and estimates used in the valuations.	Our procedures in relation to management's valuation of investment properties included: (i) We evaluated the competence, capabilities and objectivity of the independent external valuer; (ii) We involved our internal valuation specialist in assessing the appropriateness of methodologies used and the reasonableness of the key assumptions applied in the valuations, including term yields and reversionary yields, fair market rents and fair market prices. We agreed the term yields, reversionary yields, market rents and market prices used in the valuations to our internally developed benchmarks, which are based on our recent experience and market research in the locations and segments of the Group's investment properties. We have also conducted a sensitivity analysis over the key assumptions; (iii) We checked the accuracy and relevance of the input data used in the valuations; (iv) For investment properties under construction, we assessed the reasonableness of management's estimates of costs to complete by checking the total budgeted construction costs against the signed contracts with vendors and actual construction costs of similar properties and tested the actual costs incurred up to date. We found the key assumptions and estimates used in the valuation of investment properties were supported by the available evidences.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2018

Consolidated Balance Sheet

	Note	31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	3,528,545	2,797,942
Land use rights	7	1,059,237	1,050,746
Investment properties	8	39,217,669	34,353,397
Investments accounted for using the equity method	15	4,187,143	2,605,100
Deferred income tax assets	23	367,842	359,998
Available-for-sale financial assets	13	462,507	413,250
Prepayments	12	1,207,135	724,667
		50,030,078	42,305,100
Current assets			
Properties under development	9	10,344,885	8,940,371
Completed properties held for sale	10	10,416,531	11,302,986
Trade and other receivables	11	10,193,184	4,568,119
Prepayments	12	4,149,405	1,417,199
Prepaid taxes		365,417	418,440
Financial assets at fair value through profit or loss	14	28,953	27,003
Restricted cash	17	575,538	1,174,497
Cash and cash equivalents	18	9,386,757	8,973,804
		45,460,670	36,822,419
Total assets		95,490,748	79,127,519
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	19	2,066,162	2,683,046
Other reserves	20	656,982	654,900
Retained earnings		22,614,113	19,280,371
		25,337,257	22,618,317
Perpetual Capital Instruments	21	1,722,363	1,730,075
Non-controlling interests		2,414,569	1,591,857
Total equity		29,474,189	25,940,249

	Note	31 December 2017 RMB'000	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**25,780,008**	22,490,090
Deferred income tax liabilities	23	**4,733,771**	4,041,526
		30,513,779	26,531,616
Current liabilities			
Trade and other payables	24	**17,208,103**	11,234,343
Advances from customers		**3,818,693**	4,073,472
Current income tax liabilities	25	**4,720,124**	3,701,501
Borrowings	22	**9,755,860**	7,536,083
Derivative financial instruments		**–**	110,255
		35,502,780	26,655,654
Total liabilities		**66,016,559**	53,187,270
Total equity and liabilities		**95,490,748**	79,127,519

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 68 to 170 were approved by the Board of Directors on 26 March 2018 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Consolidated Statement Of Comprehensive Income

		Year ended 31 December	
	Note	**2017 RMB'000**	2016 RMB'000
Revenue	5	**15,592,641**	14,295,617
Cost of sales	26	**(10,367,557)**	(9,517,476)
Gross profit		**5,225,084**	4,778,141
Fair value gains on investment properties – net	8	**2,135,356**	1,519,884
Selling and marketing costs	26	**(500,091)**	(480,839)
Administrative expenses	26	**(895,081)**	(756,913)
Other income and gains – net	28	**561,565**	9,857
Exchange (losses)/gains – net	29	**(3,391)**	2,343
Operating profit		**6,523,442**	5,072,473
Finance costs – net	30	**(572,618)**	(678,968)
Share of profit of investments accounted for using the equity method	15	**197,359**	314,295
Profit before income tax		**6,148,183**	4,707,800
Income tax expenses	31	**(2,280,440)**	(1,958,596)
Profit for the year		**3,867,743**	2,749,204
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax	20	**30,193**	11,180
Currency translation differences	20	**(16,258)**	–
Total other comprehensive income for the year, net of tax		**13,935**	11,180
Total comprehensive income for the year		**3,881,678**	2,760,384
Profit attributable to:			
Owners of the Company		**3,336,752**	2,464,682
Holders of Perpetual Capital Instruments		**117,017**	145,765
Non-controlling interests		**413,974**	138,757
		3,867,743	2,749,204
Total comprehensive income attributable to:			
Owners of the Company		**3,350,687**	2,475,862
Holders of Perpetual Capital Instruments		**117,017**	145,765
Non-controlling interests		**413,974**	138,757
		3,881,678	2,760,384
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)	32		
– Basic		**84.108**	62.321
– Diluted		**84.064**	62.220

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 19)	Other reserves RMB'000 (Note 20)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 21)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2017							
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 year	–	–	3,336,752	3,336,752	117,017	413,974	3,867,743
Other comprehensive income for the year							
– Change in fair value of available-for-sale financial assets	–	30,193	–	30,193	–	–	30,193
– Currency translation differences	–	(16,258)	–	(16,258)	–	–	(16,258)
Total comprehensive income for the year	–	13,935	3,336,752	3,350,687	117,017	413,974	3,881,678
Transactions with owners:							
Dividends	(735,023)	–	–	(735,023)	–	–	(735,023)
Share Award Scheme:							
– Value of employee services	–	751	–	751	–	–	751
– Transfer of vested shares under Share Award Scheme to the staff	8,739	(8,739)	–	–	–	–	–
– Termination of share award scheme trust	109,400	–	–	109,400	–	–	109,400
Issuance of Perpetual Capital Instruments	–	–	–	–	1,161,500	–	1,161,500
Redemption of Perpetual Capital Instruments	–	–	–	–	(1,171,100)	–	(1,171,100)
Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(115,129)	–	(115,129)
Capital contribution from non-controlling interests	–	–	–	–	–	238,300	238,300
Acquisition of subsidiaries (note 40)	–	–	–	–	–	39,993	39,993
Change from joint ventures to subsidiaries (note 41)	–	–	–	–	–	568,772	568,772
Disposal of a subsidiary	–	–	–	–	–	(48,214)	(48,214)
Changes in ownership interests in subsidiaries without change of control (note 39)	–	(6,875)	–	(6,875)	–	(390,113)	(396,988)
Total transactions with owners	(616,884)	(14,863)	–	(631,747)	(124,729)	408,738	(347,738)
Appropriation to statutory reserves	–	3,010	(3,010)	–	–	–	–
Balance at 31 December 2017	2,066,162	656,982	22,614,113	25,337,257	1,722,363	2,414,569	29,474,189

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 19)	Other reserves RMB'000 (Note 20)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 21)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2016							
Balance at 1 January 2016	2,979,696	656,386	16,808,903	20,444,985	1,305,161	1,008,383	22,758,529
Comprehensive income:							
Profit for the year	–	–	2,464,682	2,464,682	145,765	138,757	2,749,204
Other comprehensive income for the year	–	11,180	–	11,180	–	–	11,180
Total comprehensive income for the year	–	11,180	2,464,682	2,475,862	145,765	138,757	2,760,384
Transactions with owners:							
Dividends	(305,376)	–	–	(305,376)	–	(17,649)	(323,025)
Pre-IPO Share Option Scheme							
– Expiry of share option	–	(7,734)	7,734	–	–	–	–
Share Award Scheme:							
– Value of employee services	–	2,778	–	2,778	–	–	2,778
– Transfer of vested shares under Share Award Scheme to the staff	8,726	(8,726)	–	–	–	–	–
Issuance of Perpetual Capital Instruments	–	–	–	–	1,000,000	–	1,000,000
Redemption of Perpetual Capital Instruments	–	–	–	–	(600,000)	–	(600,000)
Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(120,851)	–	(120,851)
Capital contribution from non-controlling interests	–	–	–	–	–	462,366	462,366
Disposal of available-for-sale financial assets	–	68	–	68	–	–	68
Total transactions with owners	(296,650)	(13,614)	7,734	(302,530)	279,149	444,717	421,336
Appropriation to statutory reserves	–	948	(948)	–	–	–	–
Balance at 31 December 2016	2,683,046	654,900	19,280,371	22,618,317	1,730,075	1,591,857	25,940,249

The above consolidated statement of change in equity should be read in conjunction with the accompanying notes.

Consolidated Statement Of Cash Flows

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	4,304,111	3,479,645
PRC corporate income tax paid		(657,556)	(443,839)
PRC land appreciation tax paid		(374,807)	(301,159)
Interest paid		(1,951,827)	(1,364,745)
Cash generated from operating activities – net		1,319,921	1,369,902
Cash flows from investing activities			
Cash acquired from change of joint ventures to subsidiaries		99,984	–
Net cash outflow in disposal of a subsidiary		(2,283)	–
Purchases of property and equipment		(516,009)	(471,512)
Purchases of land use rights		(3,439)	(45,410)
Payments for construction of investment properties		(1,217,105)	(2,413,638)
Proceeds from disposal of equipment		278	409
Purchases of available-for-sale financial assets		(9,000)	(80,000)
Prepayments for equity investments		(1,207,135)	(724,667)
Investments in joint ventures and associates		(759,635)	(370,233)
Proceeds from disposal of investment properties		45,713	24,948
Disposal of available-for-sale financial assets		–	16,233
Cash advances made to related parties		(5,563,774)	(946,817)
Collection of cash advances from related parties		783,385	–
Proceeds from disposal of a joint venture		1,520	–
Dividend received from financial assets at fair value through profit or loss		1,949	–
Interest received		158,931	–
Cash used in investing activities – net		(8,186,620)	(5,010,687)
Cash flows from financing activities			
Capital contribution from non-controlling interests		238,300	462,366
Proceeds from borrowings		13,479,974	12,817,536
Repayments of borrowings		(9,608,587)	(16,377,590)
Proceeds from corporate bonds		994,340	11,562,342
Repayments of corporate bonds		(2,039,455)	–
Proceeds from senior notes		2,998,395	1,304,496
Redemption of senior notes		(752,049)	(2,659,573)
Settlement of derivative financial instruments		(38,480)	(154,610)
Termination of share award scheme		109,400	–
Restricted cash released from/(pledged for) borrowings		325,064	(55,905)
Cash advances from related parties		3,300,391	1,635,540
Repayments of cash advances to related parties		(657,952)	(1,527,066)
Distribution to holders of Perpetual Capital Instruments		(115,129)	(120,851)
Dividends paid to owners of the Company		(735,023)	(305,376)
Dividends paid to non-controlling interests		–	(17,649)
Changes in ownership interests in subsidiaries without change of control		(200,000)	–
Redemption of Perpetual Capital Instruments		(1,171,100)	(600,000)
Proceeds from issuance of Perpetual Capital Instruments		1,161,500	1,000,000
Cash generated from financing activities – net		7,289,589	6,963,660
Net increase in cash and cash equivalents		422,890	3,322,875
Cash and cash equivalents at beginning of the year	16	8,973,804	5,639,843
Effect of foreign exchange rate changes		(9,937)	11,086
Cash and cash equivalents at end of the year	16	9,386,757	8,973,804

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

These financial statements have been approved for issue by the board of directors (the "Board") of the Company on 26 March 2018.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

These consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss, investment properties and derivative financial instruments which are carried at fair value.

(iii) New and amended standards adopted by the Group

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

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

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 34(b).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted

The following new standards and interpretations and amendments to standards have been published that are not mandatory for the year ended 31 December 2017 and have not been early adopted by the Group:

		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
Amendments to HKAS 28	Investments in Associates and Joint Ventures	1 January 2018
Amendments to HKAS 40	Transfers of investment property	1 January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 9 (Note (a))	Financial instruments	1 January 2018
HKFRS 15 (Note (b))	Revenue from contracts with customers	1 January 2018
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16 (Note (c))	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendment to HKAS 10 and 28	Sale or contribution of assets between an investor and its associate or joint venture	Deferred

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted (continued)

(a) HKFRS 9, 'Financial instruments'

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

While the Group has yet to undertake a detailed assessment, the majority of the Group's equity instruments that are currently classified as available-for-sale (AFS) would appear to satisfy the conditions for classification as fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. And the Group expects that its financial assets currently measured at amortised cost and fair value through profit or loss will continue with their respective classification and measurements.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt HKFRS 9 before its mandatory date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted (continued)

(b) HKFRS 15, 'Revenue from contracts with customers'

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

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

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time. Control of the properties under development is transferred over time if the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

- When control of the property transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

- The progress towards complete satisfaction of the performance obligation is measured based on the property development costs incurred as a percentage of total estimated costs for complete satisfaction as allocated to the contract.

- Revenue for certain pre-sale properties contracts will be changed and recognised earlier over the period of time, instead of at a single point in time under the current accounting policy.

- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties is transferred, will be recognised at a later point in time when the underlying property is legally or physically transferred to the customer under the control transfer model.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted (continued)

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

- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract.

- The Group provides different incentives to customers when they sign a property sale contract. Certain incentives (e.g. free gift and property management service) represents separate performance obligation in a contract. Part of the consideration of the contract will be allocated to those performance obligations and recognised as revenue only when performance obligation is satisfied. The amount of revenue for the sale of property will also be reduced for any cash payment to customer which does not represent fair value of good or service provided by the customer.

- Certain costs incurred for obtaining a pre-sale property contract (e.g. sale commission), which is currently expense off in profit and loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.

The Group intends to adopt the standard on all uncompleted contracts as at 1 January 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group estimates the overall impact of the above is an increase of the Group's retained earnings on 1 January 2018, and a corresponding increase in current asset and deferred tax liability and a decrease in the current liability as at 1 January 2018.

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 few months.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) *New standards and interpretations not yet adopted (continued)*

(c) HKFRS 16, 'Leases'

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. Management expects there will be no significant impact on the Group's financial statements when it becomes effective as the Group does not have material lease arrangements as lessee.

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2.2 Subsidiaries

2.2.1 *Consolidation*

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

(a) Business combinations

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

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

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

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

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

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

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

(c) Disposal of subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.2 *Separate financial statements*

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

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

2.3 Associates

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Joint arrangements

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

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(b) *Transactions and balances*

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

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

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

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

(c) *Group entities*

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property and equipment

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

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

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

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

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

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

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

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

2.8 Investment property

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property (continued)

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property (continued)

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

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

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

2.9 Impairment of non-financial assets

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

2.10 Financial assets

2.10.1 Classification

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

2.10.1 Classification (continued)

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

(d) Derivatives

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

2.10.2 Recognition and measurement

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

2.10.2 Recognition and measurement (continued)

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

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

2.11 Offsetting financial instruments

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

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets (continued)

(b) *Assets classified as available for sale*

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

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

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

2.13 Properties under development and completed properties held for sale

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

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

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

2.14 Trade and other receivables

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

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

2.15 Cash and cash equivalents and restricted cash

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Share capital

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

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

2.17 Perpetual capital instruments

Perpetual capital instruments with no contracted obligation to repay its principal or with contractual right to delay the payment of any distribution are classified as part of equity.

2.18 Trade and other payables

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

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

2.19 Borrowings and borrowing costs

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings and borrowing costs (continued)

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

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

2.20 Current and deferred income tax

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

(a) *Current income tax*

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

(b) *Deferred income tax*

Inside basis differences

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax (continued)

(b) *Deferred income tax (continued)*

Outside basis differences

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

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

(c) *Offsetting*

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

2.21 Employee benefits

(a) *Retirement benefits*

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (continued)

(b) *Employee leave entitlements*

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

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

2.22 Share-based payments

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Provisions and contingent liabilities

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

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

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

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

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

2.24 Revenue recognition

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

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

(a) *Sales of properties*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (continued)

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

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

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

2.25 Interest income

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

2.26 Dividend income

Dividends are recognised when the right to receive payment is established.

2.27 Leases

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

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

The Group is the lessee under operating lease of land use rights
Land use rights under operating lease, which mainly comprised land use rights to be developed for hotel properties and self-use buildings, are stated at cost and subsequently amortised in the consolidated statement of comprehensive income on a straight-line basis over the operating lease periods, less accumulated impairment provision.

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

2.28 Dividend distribution

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Financial guarantee contracts

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

3 FINANCIAL RISK MANAGEMENT

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

3.1 Financial risk factor

(a) Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. As at 31 December 2017, major non-RMB assets and liabilities are cash and cash equivalents, restricted cash, other payables and borrowings, which are dominated in Hong Kong dollar ("HK$") or US dollar ("US$"). Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

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

	31 December	
	2017 RMB'000	2016 RMB'000
Financial assets		
– HK$	**511,695**	161,929
– US$	**188,933**	341,701
	700,628	503,630
Financial liabilities		
– HK$	**878,556**	270,733
– US$	**7,834,720**	3,571,656
	8,713,276	3,842,389

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) *Market risk (continued)*

(i) *Foreign exchange risk (continued)*

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Increase/(decrease) in profit for the year:		
5% strengthened in RMB against the relevant currencies		
– HK$	**18,343**	5,440
– US$	**382,289**	161,498
	400,632	166,938
5% weakened in RMB against the relevant currencies		
– HK$	**(18,343)**	(5,440)
– US$	**(382,289)**	(161,498)
	(400,632)	(166,938)

(ii) *Cash flow and fair value interest rate risk*

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

The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at 31 December 2017, long-term borrowings of the Group bearing floating interest rates amounted to approximately RMB10,318,081,000 (2016: RMB7,836,284,000). If interest rates on borrowings at floating rates as at 31 December 2017 had been 50 basis point higher/lower with all other variables held constant, interest charges for the year would increase/decrease by RMB51,590,000 (2016: RMB39,181,000), most of which would have been capitalised in qualified assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) Market risk (continued)

(iii) Price risk

The Group is exposed to equity securities price risk in connection with the available-for-sale financial assets and financial assets at fair value through profit or loss held by the Group. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of equity securities the Group invested in had been 5% higher/lower, post tax profit for the year ended 31 December 2017 would increase/decrease by approximately RMB1,448,000 (2016: increase/decrease by approximately RMB1,350,000), as a result of more/less fair value gain on financial assets at fair value through profit or loss. Other comprehensive income would have been approximately RMB17,344,000 higher/lower (2016: RMB15,497,000 higher/lower).

(b) Credit risk

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

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

For trade receivables arisen from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 35.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(c) Liquidity risk

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

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

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2017					
Borrowings	**11,853,537**	**13,920,240**	**11,496,790**	**3,294,577**	**40,565,144**
Trade and other payables (Note (a))	**16,575,279**	**–**	**–**	**–**	**16,575,279**
Guarantees for borrowings of joint ventures (Note (b))	**1,519,000**	**–**	**–**	**–**	**1,519,000**
Financial guarantee for mortgage loans	**11,378,429**	**–**	**–**	**–**	**11,378,429**
	41,326,245	**13,920,240**	**11,496,790**	**3,294,577**	**70,037,852**
At 31 December 2016					
Borrowings	9,266,321	6,537,200	14,366,486	5,604,995	35,775,002
Trade and other payables (Note (a))	10,790,496	–	–	–	10,790,496
Derivative financial instruments	110,255	–	–	–	110,255
Guarantees for borrowings of joint ventures (Note (b))	1,895,000	–	–	–	2,408,005
Financial guarantee for mortgage loans	9,290,180	–	–	–	9,290,180
	31,865,257	6,537,200	14,366,486	5,604,995	58,373,938

(a) It represents payables excluding salaries payables and other taxes payables.

(b) It represents the guaranteed principal of borrowings in relation to joint ventures by the Group.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents (Note 18) and less guarantee deposits for bank borrowings included in restricted cash (Note 17(c)). Total borrowings comprise senior notes, corporate bonds, bank borrowings and other borrowings (Note 22). Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2017 and 2016 are as follows:

	31 December	
	2017 RMB'000	2016 RMB'000
Total borrowings (Note 22)	**35,535,868**	30,026,173
Less: cash and cash equivalents (Note 18)	**(9,386,757)**	(8,973,804)
Less: guarantee deposits for bank borrowings (Note 17(c))	**(312,000)**	(637,064)
Net debt	**25,837,111**	20,415,305
Total equity	**29,474,189**	25,940,249
Total capital	**55,311,300**	46,355,554
Gearing ratio	**46.7%**	44.0%

The increase in the gearing ratio during 2017 resulted primarily from the additional bank and other borrowings.

3.3 Fair value estimation

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2017 and 2016. See Note 8 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2017				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	**28,953**	**–**	**–**	**28,953**
Available-for-sale financial assets (Note 13)	**–**	**–**	**462,507**	**462,507**
Total	**28,953**	**–**	**462,507**	**491,460**
At 31 December 2016				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	27,003	–	–	27,003
Available-for-sale financial assets (Note 13)	–	–	413,250	413,250
Total	27,003	–	413,250	440,253
Financial liabilities:				
Derivative financial instruments	–	110,255	–	110,255

There were no transfers between levels during the year.

(a) ***Financial instruments in level 1***

As at 31 December 2017, the Group's financial assets at fair value through profit or loss are listed securities in Hong Kong, their fair value is based on their quoted market prices at the balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These financial assets at fair value through profit or loss are included in level 1. The quoted market price used for financial assets held by the Group is the current bid price.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(b) *Financial instruments in level 2*

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

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

(c) *Financial instruments in level 3*

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Income taxes and deferred taxation

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

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

(b) PRC land appreciation taxes

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Fair value of investment properties

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

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

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

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

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

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

Management, after consulting independent qualified valuer, considers that the fair value of investment properties under construction as at 31 December 2017 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2017 were measured at fair value.

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

5 SEGMENT INFORMATION

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

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

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Sales of properties	**13,301,879**	12,530,000
Rental income of investment properties	**856,203**	599,626
Income of property management services	**947,888**	791,145
Income of other property development related services	**486,671**	374,846
	15,592,641	14,295,617

5 SEGMENT INFORMATION (CONTINUED)

Segment results represent the profit earned by each segment without other income and gains-net, unallocated operating costs, finance costs-net, share of profit of investments accounted for using the equity method and income tax expenses. Property management services comprise mainly of provision of property management services and rental assistance services. Other property development related services are mainly operations of hotels. The segment results and other segment items for the year ended 31 December 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	13,301,879	856,203	1,032,255	486,671	–	15,677,008
Inter-segment revenue	–	–	(84,367)	–	–	(84,367)
Revenue	13,301,879	856,203	947,888	486,671	–	15,592,641
Segment results	3,943,669	2,510,693	115,438	(102,956)	–	6,466,844
Other income and gains – net						561,565
Share of profit of investments accounted for using the equity method (Note 15)						197,359
Unallocated operating costs						(504,967)
Finance costs – net (Note 30)						(572,618)
Profit before income tax						6,148,183
Income tax expenses						(2,280,440)
Profit for the year						3,867,743
Depreciation (Note 6)	25,745	–	7,367	126,260	–	159,372
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	24,241	–	24,241
Fair value gains on investment properties – net (Note 8)	–	2,135,356	–	–	–	2,135,356

5 SEGMENT INFORMATION (CONTINUED)

The segment results and other segment items included in the profit for the year ended 31 December 2016 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	12,530,000	599,626	909,057	374,846	–	14,413,529
Inter-segment revenue	–	–	(117,912)	–	–	(117,912)
Revenue	12,530,000	599,626	791,145	374,846	–	14,295,617
Segment results	3,739,435	1,801,342	42,257	(179,571)	–	5,403,463
Other income and gains – net						9,857
Share of profit of investments accounted for using the equity method (Note 15)						314,295
Unallocated operating costs						(340,847)
Finance costs – net (Note 30)						(678,968)
Profit before income tax						4,707,800
Income tax expenses						(1,958,596)
Profit for the year						2,749,204
Depreciation (Note 6)	11,926	–	6,813	116,889	–	135,628
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	22,694	–	22,694
Fair value gains on investment properties – net (Note 8)	–	1,519,884	–	–	–	1,519,884

5 SEGMENT INFORMATION (CONTINUED)

Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2017 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	41,737,622	40,820,717	1,156,859	4,331,461	(4,567,727)	83,478,932
Other assets						12,011,816
Total assets						95,490,748
Segment liabilities	14,165,947	2,038,247	1,022,212	3,591,986	(4,567,727)	16,250,665
Other liabilities						49,765,894
Total liabilities						66,016,559
Capital expenditure	493,579	1,929,245	33,083	307,145	–	2,763,052
Interests in joint ventures						3,602,736
Interests in associates						584,407

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

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	35,476,783	35,355,917	1,040,771	3,976,669	(3,785,495)	72,064,645
Other assets						7,062,874
Total assets						79,127,519
Segment liabilities	10,265,703	1,517,778	786,456	3,070,223	(3,785,495)	11,854,665
Other liabilities						41,332,605
Total liabilities						53,187,270
Capital expenditure	442,883	2,993,033	4,319	172,026	–	3,612,261
Interests in joint ventures						2,276,948
Interests in associates						328,152

5 SEGMENT INFORMATION (CONTINUED)

Segment assets are reconciled to total assets as follows:

	31 December	
	2017 RMB'000	2016 RMB'000
Segment assets	**83,478,932**	72,064,645
Other assets		
– Prepaid taxes	**365,417**	418,440
– Deferred income tax assets	**367,842**	359,998
– Unallocated cash and cash equivalents and restricted cash	**4,876,556**	4,522,227
– Other receivables from related parties (Note 37(d))	**5,818,063**	1,235,468
– Unallocated property and equipment	**76,563**	80,185
– Other corporate assets	**15,915**	6,303
– Available-for-sale financial assets (Note 13)	**462,507**	413,250
– Financial assets at fair value through profit or loss	**28,953**	27,003
Total assets	**95,490,748**	79,127,519

Segment liabilities are reconciled to total liabilities as follows:

	31 December	
	2017 RMB'000	2016 RMB'000
Segment liabilities	**16,250,665**	11,854,665
Other liabilities		
– Current income tax liabilities	**4,720,124**	3,701,501
– Deferred income tax liabilities	**4,733,771**	4,041,526
– Current borrowings	**9,755,860**	7,536,083
– Non-current borrowings	**25,780,008**	22,490,090
– Other payables to related parties (Note 37(d))	**4,508,599**	3,097,696
– Other corporate liabilities	**267,532**	465,709
Total liabilities	**66,016,559**	53,187,270

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

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

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

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment (Note 6), land use rights (Note 7) and investment properties (Note 8).

6 PROPERTY AND EQUIPMENT

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
Year ended 31 December 2017					
Opening net book amount	446,104	2,192,682	17,486	141,670	2,797,942
Additions	778,873	9,034	7,645	34,816	830,368
Consolidations of entities previously held as joint ventures (Note 41)	59,267	–	440	178	59,885
Transfers	(453,730)	453,730	–	–	–
Disposals	–	–	(13)	(265)	(278)
Depreciation	–	(124,395)	(7,752)	(27,225)	(159,372)
Closing net book amount	830,514	2,531,051	17,806	149,174	3,528,545
At 31 December 2017					
Cost	830,514	3,044,480	86,796	357,097	4,318,887
Accumulated depreciation	–	(513,429)	(68,990)	(207,923)	(790,342)
Net book amount	830,514	2,531,051	17,806	149,174	3,528,545
Year ended 31 December 2016					
Opening net book amount	788,774	1,401,676	18,552	145,662	2,354,664
Additions	500,214	45,435	5,571	28,095	579,315
Transfers	(842,884)	842,884	–	–	–
Disposals	–	–	(88)	(321)	(409)
Depreciation	–	(97,313)	(6,549)	(31,766)	(135,628)
Closing net book amount	446,104	2,192,682	17,486	141,670	2,797,942
At 31 December 2016					
Cost	446,104	2,581,716	80,114	324,219	3,432,153
Accumulated depreciation	–	(389,034)	(62,628)	(182,549)	(634,211)
Net book amount	446,104	2,192,682	17,486	141,670	2,797,942

6 PROPERTY AND EQUIPMENT (CONTINUED)

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Cost of sales	**109,900**	90,915
Selling and marketing costs	**2,503**	2,651
Administrative expenses	**46,969**	42,062
	159,372	135,628

As at 31 December 2017, property and equipment with a net book amount RMB1,651,966,000 (2016: RMB1,252,754,000) were pledged as collateral for the Group's borrowings (Note 22).

Borrowing costs of RMB80,315,000 (2016: RMB78,488,000) have been capitalised in assets under construction for the year ended 31 December 2017.

The capitalisation rate of borrowings for the year ended 31 December 2017 was 5.99% (2016: 5.96%).

7 LAND USE RIGHTS

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Opening net book amount	**1,050,746**	1,033,527
Additions	**3,439**	39,913
Consolidations of entities previously held as joint ventures (Note 41)	**29,293**	–
Amortisation charges	**(24,241)**	(22,694)
Ending net book amount	**1,059,237**	1,050,746

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

As at 31 December 2017, land use rights of RMB624,327,000 (2016: RMB756,337,000) were pledged as collateral for the Group's borrowings (Note 22).

8 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2017			
At 1 January 2017	**31,157,718**	**3,195,679**	**34,353,397**
Additions	**75,981**	**1,853,264**	**1,929,245**
Consolidations of entities previously held as joint ventures (Note 41)	**–**	**709,954**	**709,954**
Transfers	**1,047,474**	**(1,047,474)**	**–**
Transfers from completed properties held for sale	**503,087**	**–**	**503,087**
Fair value gains – net	**1,775,076**	**360,280**	**2,135,356**
Disposals of a subsidiary	**(382,413)**	**–**	**(382,413)**
Disposals	**(30,957)**	**–**	**(30,957)**
At 31 December 2017	**34,145,966**	**5,071,703**	**39,217,669**
Year ended 31 December 2016			
At 1 January 2016	22,286,985	6,083,333	28,370,318
Additions	68,345	2,924,688	2,993,033
Transfers	6,443,960	(6,443,960)	–
Transfers from completed properties held for sale	1,490,279	–	1,490,279
Fair value gains – net	888,266	631,618	1,519,884
Disposals	(20,117)	–	(20,117)
At 31 December 2016	31,157,718	3,195,679	34,353,397

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Rental income (Note 5)	**856,203**	599,626
Direct operating expenses arising from investment properties that generate rental income	**(194,538)**	(144,274)
Direct operating expenses arising from investment properties that do not generate rental income	**(101,549)**	(62,614)

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

Borrowing costs of RMB380,049,000 (2016: RMB498,410,000) have been capitalised in investment properties under construction for the year ended 31 December 2017. The capitalisation rate of borrowings for the year ended 31 December 2017 was 5.99% (2016: 5.96%).

As at 31 December 2017, investment properties of RMB23,230,787,000 (2016: RMB18,762,442,000) were pledged as collateral for the Group's borrowings (Note 22).

8 INVESTMENT PROPERTIES (CONTINUED)

The fair value of the investment properties are expected to be realised through rental income. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

(i) Fair value hierarchy

An independent valuation of the Group's certain completed investment properties and investment properties under construction was performed by the independent and professionally qualified valuer, to determine the fair value of the investment properties as at 31 December 2017. The revaluation gains or losses are included in 'Fair value gains on investment properties – net' in the statement of comprehensive income.

As at 31 December 2017, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy (Note 2.8).

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

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2017 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

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

At each financial year end the finance department:

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

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques

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

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

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

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

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

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

	Property Category	Fair value at 31 December 2017 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	31,933,640	Term and reversionary method	Term yields	3.5%-6.0%	The higher the term yields, the lower the fair value
				Reversionary yields	5.0%-7.0%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/ month)	80-303	The higher the market rents, the higher the fair value
	Car parks	2,212,326	Direct comparison	Market price (RMB/per car park)	28,000-330,000	The higher the market price, the higher the fair value
Investment properties under construction	Commercial properties	4,861,362	Residual method	Market rents (RMB/square meter/ month)	113-171	The higher the market rents, the higher the fair value
				Reversionary yields	5.5%-6.5%	The higher the market yields, the lower the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	1,182-3,219	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	5.0%-15.0%	The higher the developer's profit, the lower the fair value
	Car parks	210,341	Residual method	Market price (RMB/per car park)	34,000-139,000	The higher the market price, the higher the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	1,019-1,280	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	15%	The higher the developer's profit, the lower the fair value

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

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

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

9 PROPERTIES UNDER DEVELOPMENT

	31 December	
	2017	2016
	RMB'000	RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	**3,176,356**	2,378,562
– Interests capitalised	**1,788,077**	1,855,739
– Land use rights	**5,380,452**	4,706,070
	10,344,885	8,940,371
Land use rights:		
Outside Hong Kong, held on leases of:		
– Over 50 years	**1,630,565**	1,469,071
– Between 10 to 50 years	**3,749,887**	3,236,999
	5,380,452	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 31 December 2017, properties under development of approximately RMB4,630,753,000 (2016: RMB3,522,892,000) were pledged as collateral for the Group's borrowings (Note 22).

The capitalisation rate of borrowings for the year ended 31 December 2017 was 5.99% (2016: 5.96%).

10 COMPLETED PROPERTIES HELD FOR SALE

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

As at 31 December 2017, completed properties held for sale of approximately RMB3,140,347,000 (2016: RMB2,188,895,000) were pledged as collateral for the Group's borrowings (Note 22).

During the year of 2017, completed properties held for sale of approximately RMB503,087,000 (2016: RMB1,490,279,000) were transferred to completed investment properties (Note 8).

11 TRADE AND OTHER RECEIVABLES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Trade receivables – third parties (Note (a))	**1,482,931**	1,518,093
Less: provision for impairment of trade receivables (Note (a))	**(25,474)**	(20,945)
Trade receivables – net	**1,457,457**	1,497,148
Deposits for acquisition of land use rights	**138,000**	514,610
Other receivables from:	**8,597,727**	2,556,361
– Related parties (Note 37(d))	**5,818,063**	1,235,468
– Third parties (Note (c))	**2,779,664**	1,320,893
	10,193,184	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.

	31 December 2017 RMB'000	31 December 2016 RMB'000
Not due	**1,436,905**	1,466,684
Overdue	**46,026**	51,409
	1,482,931	1,518,093

The ageing analysis of overdue trade receivables as at 31 December 2017 and 2016 is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 180 days	**16,203**	28,737
180 days to 365 days	**16,576**	8,093
Over 365 days	**13,247**	14,579
	46,026	51,409

As at 31 December 2017, trade receivables of RMB14,016,000 (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 consider that these past due trade receivables would be recovered and no provision was made.

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (continued)

As at 31 December 2017, trade receivables of RMB32,010,000 (2016: RMB22,859,000) were past due and impaired with a provision of RMB25,474,000 (2016: RMB20,945,000) having been made. The individually impaired receivables mainly relate to certain lessees of the Group's investment properties, which are in unexpectedly difficult economic situations.

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

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
At 1 January	**20,945**	19,165
Provision for impairment	**4,544**	1,824
Receivables written off during the year as uncollectible	**(15)**	(44)
At 31 December	**25,474**	20,945

(b) As at 31 December 2017 and 2016, the fair value of trade and other receivables approximated their carrying amounts.

(c) The Group's trade and other receivables are mainly denominated in RMB.

Amounts due from the joint ventures of approximately RMB2,100,013,000 bear average interest rate at 6.30% per annum and are repayable according to respective agreements as at 31 December 2017.

Other receivables from third parties mainly consist of deposits for construction projects and amounts due from the other shareholders of certain subsidiaries of the Group for various payments on their behalf. Except for those disclosed in Note 11(a), no material trade and other receivables were impaired or past due as at 31 December 2017 and 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.

12 PREPAYMENTS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Current portion		
Acquisition of land use rights (Note (a))	**4,011,838**	1,356,043
Construction materials – third parties	**137,567**	61,156
	4,149,405	1,417,199
Non-current portion		
Investments in property development projects (Note (b))	**1,207,135**	724,667
	5,356,540	2,141,866

(a) Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts. The land acquisition costs which are contracted but not provided for are included in commitments (Note 36(a)).

(b) Amounts represent prepayments for investments in certain property development projects which are in the progress of set-up.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Opening amounts as at 1 January	**413,250**	334,491
Additions	**9,000**	80,000
Net gains recognised in equity	**40,257**	14,993
Disposals	**–**	(16,234)
Closing amounts as at 31 December	**462,507**	413,250

Available-for-sale financial assets include the following:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current unlisted securities:		
– Unlisted insurance company (Note (a))	**333,250**	333,250
– Unlisted real estate agency company (Note (b))	**120,257**	80,000
– Unlisted fund investments	**9,000**	–
	462,507	413,250

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(a) In 2015, the Group invested a total sum of RMB307,200,000 in an unlisted insurance company in the PRC for its 5% equity interest. As at 31 December 2017, the fair value of this 5% equity interest was derived by using the income approach based on present value techniques.

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

The Group measures the fair value of the equity interests in these unlisted securities by using present value techniques of income approach.

The maximum exposure to credit risk at the reporting date is the carrying value of available-for-sale financial assets. There are no commitment or contingent liabilities relating to the Group's interests in these unlisted companies.

These financial assets were not past due or impaired as of 31 December 2017 and 2016.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Opening amounts as at 1 January	**27,003**	–
Additions	**–**	29,403
Fair value gains/(losses)	**15,089**	(2,400)
Disposals	**(13,139)**	–
Closing amounts as at 31 December	**28,953**	27,003

As at 31 December 2017, financial assets at fair value through profit or loss represented the Group's equity investments in certain company listed on Hong Kong Stock Exchange (2016: in certain company listed on Hong Kong Stock Exchange), which are quoted in an active market.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'Fair value gain on financial assets at fair value through profit or loss' in the consolidated statement of comprehensive income.

The fair value of all equity securities is based on their quoted prices as of 31 December 2017 and 2016 in active markets.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	31 December	
	2017	2016
	RMB'000	RMB'000
Non-current portion:		
Investments in joint ventures	**3,602,736**	2,276,948
Investments in associates	**584,407**	328,152
	4,187,143	2,605,100

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Joint ventures (Note (a))	**223,863**	323,740
Associates (Note (b))	**(26,504)**	(9,445)
	197,359	314,295

(a) Joint ventures

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At 1 January	**2,276,948**	1,488,849
Additions	**1,191,422**	475,612
Additions from consolidation (Note 41)	**278,479**	–
Transfer to a subsidiary (Note 41)	**(306,954)**	–
Disposal	**(2,280)**	–
Currency translation differences	**(16,258)**	–
Share of profits – net	**223,863**	323,740
Elimination of unrealised profits	**(42,484)**	(11,253)
At 31 December	**3,602,736**	2,276,948

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(i) Nature of investment in the joint ventures 2017 and 2016:

Name of entity	Place of business/ country of incorporation	% of ownership interest		Measurement method
		2017	2016	
Shanghai Xingwan Real Estate Co., Ltd. 上海興萬置業有限公司	PRC	50%	50%	Equity
Shanghai Hexun Juxin Asset Management Co., Ltd. (Note (a)) 上海和訊聚信資產管理有限公司	PRC	Not applicable	50%	Equity
Shanghai Xuting Real Estate Co., Ltd. (Note (c)) 上海旭亭置業有限公司	PRC	27%	27%	Equity
Tianjin Powerlong Jinjun Real Estate Co., Ltd. ("Tianjin Jinjun") 天津寶龍金駿房地產開發有限責任公司 (「天津金駿」)	PRC	65%	65%	Equity
Powerlong Golden Wheel Coral Company Limited ("Golden Wheel") (Note (b)) 寶龍金輪珊瑚有限公司(「金輪」)	BVI	51%	51%	Equity
Baohui Real Estate (Hong Kong) Holdings Limited ("Baohui") (Note (b)) 寶匯地產(香港)控股有限公司(「寶匯」)	Hong Kong	60%	60%	Equity
Shanghai Powerlong Zhanyao Enterprises Development Limited ("Shanghai Zhanyao") (Note (d)) 上海寶龍展耀企業發展有限公司(「上海展耀」)	PRC	Not applicable	42%	Equity
Ningbo Powerlong Huafeng Real Estate Development Co., Ltd. (Note (c)) 寧波寶龍華灃置業發展有限公司	PRC	41%	Not applicable	Equity
Hangzhou Donghui Real Estate Co., Ltd. (Note (c)) 杭州東輝置業有限公司	PRC	41%	Not applicable	Equity
Shanghai Baozhan Real Estate Development Co., Ltd. 上海寶展房地產開發有限公司	PRC	50%	Not applicable	Equity
Jinjiang Ruilong Real Estate Development Co., Ltd. (Note (c)) 晉江市睿龍置業發展有限公司	PRC	22.5%	Not applicable	Equity
Tianjin Binhui Real Estate Co., Ltd. (Note (c)) 天津濱輝置業有限公司	PRC	33%	Not applicable	Equity

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(i) Nature of investment in the joint ventures 2017 and 2016 (continued):

Name of entity	Place of business/ country of incorporation	% of ownership interest		Measurement method
		2017	2016	
Nanjing Weirun Real Estate Development Co., Ltd. 南京威潤房地產開發有限公司	PRC	50%	Not applicable	Equity
Tianjin Longfor Ruifeng Real Estate Co., Ltd. (Note (c)) 天津龍湖睿灃置業有限公司	PRC	12.5%	Not applicable	Equity
Hangzhou Zhanxiang Industrial Co., Ltd. 杭州展驤實業有限公司	PRC	50%	Not applicable	Equity
Shanghai Mijie Property Management Co., Ltd. 上海芈杰企業管理有限公司	PRC	50%	Not applicable	Equity
Changying Yehai (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影椰海(海南)房地產開發有限公司	PRC	51%	Not applicable	Equity
Changying Yuehai (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影粵海(海南)房地產開發有限公司	PRC	51%	Not applicable	Equity
Changying Nanhai (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影南海(海南)房地產開發有限公司	PRC	51%	Not applicable	Equity
Changying Binhai (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影濱海(海南)房地產開發有限公司	PRC	51%	Not applicable	Equity
Changying Fuda (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影福達(海南)房地產開發有限公司	PRC	51%	Not applicable	Equity
Changying Xingda (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影興達(海南)房地產開發有限公司	PRC	51%	Not applicable	Equity
Changying Lida (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影利達(海南)房地產開發有限公司	PRC	51%	Not applicable	Equity

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(i) *Nature of investment in the joint ventures 2017 and 2016 (continued):*

Name of entity	Place of business/ country of incorporation	% of ownership interest		Measurement method
		2017	2016	
Changying Changliu (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影長流(海南)房地產開發有限公司	PRC	**51%**	Not applicable	Equity
Changying Tongda (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影通達(海南)房地產開發有限公司	PRC	**51%**	Not applicable	Equity
Changying Jindao (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影金島(海南)房地產開發有限公司	PRC	**51%**	Not applicable	Equity
LS-NJ Port Imperial-PD	US	**49%**	Not applicable	Equity

Note (a): The Group disposed of this joint venture during the year.

Note (b): These joint ventures are small private groups, which comprise several subsidiaries.

Note (c): According to the cooperation agreements with other co-developers or articles of associations, where applicable, the significant decision makings over the relevant activities of these entities require the unanimous consent of the Group, consequently, the Group considers it has joint controls over these entities.

Note (d): Shanghai Zhanyao is owned as to 51% and 49% by a non-wholly owned subsidiary of the Group and other joint venture partner, respectively. As disclosed in Note 41, Shanghai Zhanyao changed from a joint venture to a subsidiary during the year.

Note (e): These ten project companies are owned as to 51% by Shanghai Zunchang Investment Management Co., Ltd. ("Shanghai ZunChang"), which as disclosed in Note 41 had been changed from an associate to a subsidiary of the Company on 1 September 2017.

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

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(ii) *Summarised financial information of the joint ventures*

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

Summarised balance sheet

31 December 2017

	Tianjin Jinjun RMB'000	Baohui RMB'000	Golden Wheel RMB'000	Others RMB'000	Total RMB'000
Assets					
Current assets	4,587,017	762,053	641,768	22,958,302	28,949,140
Non-current assets	817,888	878,247	535,310	401,462	2,632,907
Total assets	5,404,905	1,640,300	1,177,078	23,359,764	31,582,047
Liabilities					
Current liabilities	(3,495,972)	(659,729)	(264,858)	(13,379,540)	(17,800,099)
Non-current liabilities	(159,161)	(534,850)	(300,040)	(6,350,420)	(7,344,471)
Total liabilities	(3,655,133)	(1,194,579)	(564,898)	(19,729,960)	(25,144,570)
Net assets	1,749,772	445,721	612,180	3,629,804	6,437,477

31 December 2016

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

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

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

Summarised statement of comprehensive income

	Year ended 31 December 2017				
	Tianjin Jinjun RMB'000	Baohui RMB'000	Golden Wheel RMB'000	Others RMB'000	Total RMB'000
Revenue	**294,284**	**212,605**	**210,910**	**–**	**717,799**
Cost of goods sold	**(175,113)**	**(88,516)**	**(118,889)**	**(45,056)**	**(427,574)**
Fair value gains from investment properties	**–**	**23,124**	**–**	**375,122**	**398,246**
Interest income	**85**	**–**	**412**	**355**	**852**
Profit from continuing operations before tax	**98,225**	**106,561**	**74,375**	**250,546**	**529,707**
Income tax expenses	**(21,634)**	**(49,857)**	**(20,843)**	**(66,725)**	**(159,059)**
Post-tax profit from continuing operations	**76,591**	**56,704**	**53,532**	**183,821**	**370,648**
Currency translation differences	**–**	**–**	**–**	**(33,180)**	**(33,180)**
Total comprehensive income	**76,591**	**56,704**	**53,532**	**150,641**	**337,468**

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

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

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(iii) *Reconciliation of summarised financial information*

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

	Year ended 31 December 2017				
	Tianjin Jinjun RMB'000	Baohui RMB'000	Golden Wheel RMB'000	Others RMB'000	Total RMB'000
Opening net assets as at 1 January	1,673,181	389,017	558,648	1,699,073	4,319,919
Additions	–	–	–	2,386,522	2,386,522
Transfer to a subsidiary	–	–	–	(601,871)	(601,871)
Profit for the year	76,591	56,704	53,532	183,821	370,648
Currency translation differences	–	–	–	(33,180)	(33,180)
Disposal	–	–	–	(4,561)	(4,561)
Closing net assets as at 31 December	1,749,772	445,721	612,180	3,629,804	6,437,477
Less:					
– Joint venture partners' interests	(525,839)	(178,288)	(299,968)	(1,763,742)	(2,767,837)
– Elimination of unrealised profits	(37,452)	(17,741)	(5,175)	(24,767)	(85,135)
– Goodwill	–	–	–	18,231	18,231
Interests in joint ventures (carrying value)	1,186,481	249,692	307,037	1,859,526	3,602,736

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

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Associates

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
At 1 January	**328,152**	35,100
Additions (Note (i))	**292,880**	302,497
Share of losses – net	**(26,504)**	(9,445)
Transfer to a subsidiary	**(2,482)**	–
Elimination of unrealised profits	**(7,639)**	–
At 31 December	**584,407**	328,152

(i) Nature of investment in the associates 2017 and 2016

Name of entity	Place of business/ country of incorporation	% of ownership interest		Measurement method
		2017	2016	
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	PRC	**37%**	37%	Equity
Shanghai Zunchang Investment Management Co., Ltd. ("Shanghai Zunchang") (Note 41) 上海樽昶投資管理有限公司(「上海樽昶」)	PRC	**Not applicable**	41%	Equity
Suzhou Macalline Real Estate Co., Ltd. 蘇州紅星美凱龍房地產開發有限公司	PRC	**41%**	41%	Equity
Shanghai Hubang Real Estate Co., Ltd. 上海湖邦房地產有限公司	PRC	**50%**	Not applicable	Equity
Suzhou Yiyuan Residential Technology Co., Ltd. 蘇州毅遠住宅科技有限公司	PRC	**14%**	Not applicable	Equity

16 FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per consolidated balance sheet

	31 December	
	2017 RMB'000	2016 RMB'000
Loans and receivables:		
Trade and other receivables	**10,193,184**	4,568,119
Restricted cash	**575,538**	1,174,497
Cash and cash equivalents	**9,386,757**	8,973,804
	20,155,479	14,716,420
Financial assets at fair value through profit or loss	**28,953**	27,003
Available-for-sale financial assets	**462,507**	413,250
	20,646,939	15,156,673

Liabilities as per consolidated balance sheet

	31 December	
	2017 RMB'000	2016 RMB'000
Other financial liabilities at amortised cost:		
Borrowings	**35,535,868**	30,026,173
Trade and other payables excluding other taxes and payroll payable	**16,575,279**	10,790,496
	52,111,147	40,816,669
Derivative financial instruments	**–**	110,255
	52,111,147	40,926,924

17 RESTRICTED CASH

	31 December 2017 RMB'000	2016 RMB'000
Guarantee deposits for construction projects (Note (a))	**210,740**	335,170
Guarantee deposits for bank acceptance notes (Note (b))	**24,482**	169,703
Guarantee deposits for bank borrowings (Note (c))	**312,000**	637,064
Others	**28,316**	32,560
	575,538	1,174,497
Denominated in:		
– RMB	**573,503**	1,174,431
– US$	**1,972**	66
– HK$	**63**	–
	575,538	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 constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

(b) As at 31 December 2017, the Group has placed cash deposits of approximately RMB24,482,000 (2016: RMB169,703,000) with designated banks as guarantee for the issuance of bank acceptance notes.

(c) As at 31 December 2017, the Group has placed cash deposits of approximately RMB312,000,000 (2016: RMB637,064,000) with designated banks as security for bank borrowings.

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

18 CASH AND CASH EQUIVALENTS

	31 December 2017 RMB'000	2016 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	**9,090,038**	8,963,243
– Denominated in HK$	**111,298**	3,525
– Denominated in US$	**185,421**	7,036
	9,386,757	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.

19 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Shares held for Share Award Scheme RMB'000	Total RMB'000
Authorised:					
As at 1 January 2016 31 December 2016 and 31 December 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 (Note 33)	–	–	(735,023)	–	(735,023)
Vested and transferred to eligible employees (Note (a))	–	–	(3,105)	11,844	8,739
Termination of share award scheme (Note (a))	–	–	42,018	67,382	109,400
As at 31 December 2017	3,997,303,000	35,486	2,030,676	–	2,066,162
As at 1 January 2016	3,997,303,000	35,486	3,035,746	(91,536)	2,979,696
Dividends	–	–	(305,376)	–	(305,376)
Vested and transferred to eligible employees (Note (a))	–	–	(3,584)	12,310	8,726
As at 31 December 2016	3,997,303,000	35,486	2,726,786	(79,226)	2,683,046

19 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

(a) Shares held for Share Award Scheme

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

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

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

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

During the year ended 31 December 2017, the Shares held for Share Award Scheme transferred 4,417,950 (2016: 5,830,050) shares of RMB8,739,000 (2016: RMB8,726,000) to the eligible employees upon vesting of the awarded shares (Note 20(c)).

On 26 October 2017, the Company terminated the Share Award Scheme. The remaining 35,132,000 Shares held by the Share Award Scheme Trust was sold on 10 November 2017 with a net proceed of HK$128,727,000, equivalent to RMB109,400,000.

20 OTHER RESERVES

	Merger reserve RMB'000 (Note (a))	Other reserves RMB'000 (Note (d))	Statutory reserves RMB'000 (Note (b))	Share – based compensation reserve RMB'000 (Note(c)	Revaluation reserves RMB'000 (Note(d))	Transaction with non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017	337,203	–	53,686	7,988	247,542	8,481	654,900
Share Award Scheme – value of employee services (Note (c))	–	–	–	751	–	–	751
Share Award Scheme – transfer of vested shares under Share Award Scheme to the staff (Note (c))	–	–	–	(8,739)	–	–	(8,739)
Change in fair value of available-for-sale financial assets, net of tax	–	–	–	–	30,193	–	30,193
Appropriation to statutory reserves	–	–	3,010	–	–	–	3,010
Changes in ownership interests in subsidiaries without change of control	–	–	–	–	–	(6,875)	(6,875)
Currency translation differences	–	(16,258)	–	–	–	–	(16,258)
Balance at 31 December 2017	337,203	(16,258)	56,696	–	277,735	1,606	656,982
Balance at 1 January 2016	337,203	–	52,738	21,670	236,294	8,481	656,386
Pre – IPO Share Option Scheme expiry	–	–	–	(7,734)	–	–	(7,734)
Share Award Scheme – value of employee services (Note (c))	–	–	–	2,778	–	–	2,778
Share Award Scheme – transfer of vested shares under Share Award Scheme to the staff (Note (c))	–	–	–	(8,726)	–	–	(8,726)
Change in fair value of available-for-sale financial assets, net of tax	–	–	–	–	11,180	–	11,180
Appropriation to statutory reserves	–	–	948	–	–	–	948
Disposal of Available-for-sale financial assets	–	–	–	–	68	–	68
Balance at 31 December 2016	337,203	–	53,686	7,988	247,542	8,481	654,900

(a) Merger reserve

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

20 OTHER RESERVES (CONTINUED)

(b) Statutory reserves

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

(c) Share Award Scheme

Movements in the number of shares held for the Share Award Scheme for the years ended 31 December 2017 and 2016 are as follows:

	Not awarded shares held for the Share Award Scheme Trust	Awarded shares held by the Share Award Scheme Trust
At 1 January 2017	**35,132,000**	**4,417,950**
Vested and transferred to eligible employees	**–**	**(4,417,950)**
Termination of Share award scheme (Note 19(a))	**(35,132,000)**	**–**
At 31 December 2017	**–**	**–**
At 1 January 2016	34,334,300	11,045,700
Forfeited	797,700	(797,700)
Vested and transferred to eligible employees	–	(5,830,050)
At 31 December 2016	35,132,000	4,417,950

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

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

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

During the year ended 31 December 2017, an aggregate of 4,417,950 shares were vested and transferred to the eligible employees at nil consideration.

The total expense recognised for employee and directors services received in respect of the Share Award Scheme for the year ended 31 December 2017 was RMB751,000 (2016: RMB2,778,000).

20 OTHER RESERVES (CONTINUED)

(d) Other comprehensive income

	Year ended 31 December 2017		
	Other reserves RMB'000	**Revaluation reserves RMB'000**	**Total other comprehensive income RMB'000**
Items that may be reclassified subsequently to profit or loss:			
Fair value gains on available-for-sale financial assets – gross (Note 13)	**–**	**40,257**	**40,257**
Tax charge – deferred income tax	**–**	**(10,064)**	**(10,064)**
Currency translation differences (Note 15(a))	**(16,258)**	**–**	**(16,258)**
Total other comprehensive income – net of tax	**(16,258)**	**30,193**	**13,935**

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

21 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	**1,161,500**	**–**	**1,161,500**
Redemption of Perpetual Capital Instruments	**(1,171,100)**	**–**	**(1,171,100)**
Profit attributable to holders of Perpetual Capital Instruments	**–**	**117,017**	**117,017**
Distribution to holders of Perpetual Capital Instruments	**–**	**(115,129)**	**(115,129)**
Balance as at 31 December 2017	**1,690,400**	**31,963**	**1,722,363**
Balance as at 1 January 2016	1,300,000	5,161	1,305,161
Issuance of Perpetual Capital Instruments	1,000,000	–	1,000,000
Redemption of Perpetual Capital Instruments	(600,000)	–	(600,000)
Profit attributable to holders of Perpetual Capital Instruments	–	145,765	145,765
Distribution to holders of Perpetual Capital Instruments	–	(120,851)	(120,851)
Balance as at 31 December 2016	1,700,000	30,075	1,730,075

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

22 BORROWINGS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Borrowings included in non-current liabilities:		
Senior notes	**5,566,933**	3,379,254
– senior notes due September 2021 ("2021 Notes") (Note (a)(i))	**1,285,452**	1,364,131
– senior notes due July 2020 ("2020 Notes") (Note (a)(ii))	**1,975,170**	–
– senior notes due November 2018 ("2018 Notes II") (Note (a)(iii))	**2,306,311**	1,379,565
– senior notes due September 2017 ("2017 Notes") (Note (a)(iv))	**–**	635,558
Corporate bonds (note (b))	**11,546,494**	12,870,865
Bank borrowings (note (c))	**13,421,920**	9,242,564
Other borrowings (note (d))	**2,737,751**	1,750,190
Less: current portion of non-current borrowings	**(7,493,090)**	(4,752,783)
	25,780,008	22,490,090
Borrowings included in current liabilities:		
Bank borrowings (Note (c))	**2,262,770**	1,635,100
Other borrowings (Note (d))	**–**	1,148,200
Current portion of long-term borrowings	**7,493,090**	4,752,783
	9,755,860	7,536,083
Total borrowings	**35,535,868**	30,026,173

(a) Senior notes

(i) *2021 Notes*

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

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

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
At 1 January/at issuance date	**1,364,131**	1,304,496
Interest expense and amortisation of issuance costs	**70,446**	20,783
Repayment of interest	**(65,045)**	–
Repurchase	**–**	(10,154)
Foreign exchange (gains)/losses – net	**(84,080)**	49,006
At 31 December	**1,285,452**	1,364,131

22 BORROWINGS (CONTINUED)

(a) Senior notes (continued)

(ii) *2020 Notes*

On 19 July 2017, the Company issued 5.95%, three years senior notes, with an aggregated nominal value of US$200,000,000 at 99.191% discount to face value. On 28 July 2017, the Company issued an additional senior notes in the same terms with an aggregate principal amount of US$100,000,000 at 99.196% discount of the face value. The net proceeds, after deducting the issuance costs, amounted to US$294,698,861 (equivalent to approximately RMB1,987,774,000). The 2020 Notes is denominated in US$.

The 2020 Notes recognised in the balance sheet are calculated as follows:

	Year ended 31 December
	2017 RMB'000
Fair value at the date of issuance	**1,987,774**
Interest expense and amortisation of issuance costs	**59,387**
Foreign exchange gains – net	**(71,991)**
At 31 December	**1,975,170**

(iii) *2018 Notes II*

On 26 November 2015, the Company issued 7.625%, three years senior notes, with an aggregated principal amount 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). On 26 November 2017, the Company issued an additional senior notes in the same terms with an aggregate principal amount of US$150,000,000 at 102.278% of the face value. The net proceeds, after deducting the issuance costs, amounted to US$153,417,297 (equivalent to approximately RMB1,010,621,000). The 2018 Notes II is denominated in US$.

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
At 1 January	**1,379,565**	1,283,462
Addition	**1,010,621**	–
Interest expense and amortisation of issuance costs	**111,035**	105,269
Repayment of interest	**(102,769)**	(102,768)
Foreign exchange (gains)/losses – net	**(92,141)**	93,602
At 31 December	**2,306,311**	1,379,565

22 BORROWINGS (CONTINUED)

(a) Senior notes (continued)

(iv) *2017 Notes and derivative financial instruments*

On 18 September 2014, the Company issued 10.75%, three years senior notes, with an aggregated principal amount 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 the issuance date of 2017 Notes, the Company entered into certain cross currency swaps ("2017 CCS") with a bank, which was designated as a derivative financial instrument.

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

The 2017 Notes and 2017 CCS matured on 18 September 2017 and were repaid by the Group on the same date.

The above senior notes are guaranteed by certain subsidiaries and non-PRC joint ventures and secured by pledges of the shares of these subsidiaries and non-PRC joint ventures.

(b) Corporate bonds

The corporate bonds recognised in the balance sheet consisted of:

	Year ended 31 December 2017				Year ended 31 December 2016
	Panda bonds Note (i) RMB'000	Asset-backed securities Note (ii) RMB'000	PRC corporate bonds Note (iii) RMB'000	Total RMB'000	Total RMB'000
At 1 January	6,038,033	2,175,644	4,657,188	12,870,865	993,458
Additions	–	–	994,340	994,340	11,562,342
Interest expense and amortisation of issuance costs	328,728	109,043	325,578	763,349	388,065
Repayment of principal	(1,899,807)	(139,611)	(37)	(2,039,455)	–
Repayment of interest	(354,730)	(410,975)	(276,900)	(1,042,605)	(73,000)
At 31 December	4,112,224	1,734,101	5,700,169	11,546,494	12,870,865

(i) *Panda bonds*

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

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

22 BORROWINGS (CONTINUED)

(b) Corporate bonds (continued)

(ii) *Asset-backed securities*

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

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

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

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

(iii) *PRC Corporate bonds*

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

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

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

On 29 August 2017, a PRC subsidiary of the Group issued 6.80%, three-year PRC corporate bond with an aggregated principal amount of RMB1,000,000,000 at 100% of the face value.

(c) Bank borrowings

As at 31 December 2017, bank borrowings of RMB15,684,690,000 (2016: RMB10,877,664,000) were secured by property and equipment (Note 6), land use rights (Note 7), investment properties (Note 8), properties under development (Note 9), completed properties held for sale (Note 10) and restricted cash (Note 15); the secured bank borrowings of RMB2,399,356,000 (2016: RMB2,825,495,000) were additionally guaranteed by certain related parties (Note 37(b)(ii)).

22 BORROWINGS (CONTINUED)

(d) Other borrowings

As at 31 December 2017, borrowings from other financial institutions of RMB2,737,751,000 (2016: RMB2,898,390,000) were secured by land use rights (Note 7), investment properties (Note 8), properties under development (Note 9) and completed properties held for sale (Note 10).

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

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non – current liabilities:					
At 31 December 2017	2,229,569	8,741,633	13,686,056	1,122,750	25,780,008
At 31 December 2016	3,271,348	3,605,011	11,763,418	3,850,313	22,490,090
Borrowings included in current liabilities:					
At 31 December 2017	2,493,326	7,262,534	–	–	9,755,860
At 31 December 2016	2,503,342	5,032,741	–	–	7,536,083

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

	31 December 2017		31 December 2016	
	Carrying amount RMB'000	Fair Value RMB'000	Carrying amount RMB'000	Fair Value RMB'000
2021 Notes (Note (i))	1,266,851	1,247,877	1,344,304	1,289,699
2020 Notes (Note (i))	1,922,656	1,936,384	–	–
2018 Notes II (Note (i))	–	–	1,369,421	1,441,703
Corporate bonds (Note (ii))	8,144,218	8,141,728	10,226,633	10,329,329
Bank borrowings (Note (iii))	12,093,225	12,093,225	7,898,151	7,960,850
Other borrowings (Note (iii))	2,353,058	2,353,058	1,651,581	1,651,581
	25,780,008	25,772,272	22,490,090	22,673,162

Notes:

(i) The fair values were determined directly by references to the price quotations published by Singapore Stock Exchange Limited on 31 December 2017 and 2016, using the pricing of dealing date and were within level 1 of the fair value hierarchy.

(ii) The fair values of public bonds were determined by reference to the price quotations published on the last trading day of the year ended 31 December 2017 and were within level 1 of the fair value hierarchy. The fair values of non-public bonds were estimated based on cash flow discounted at the borrowing rate and were within level 2 of the fair value hierarchy.

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

22 BORROWINGS (CONTINUED)

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

	Senior notes RMB'000	Corporate bonds RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
As at 31 December 2017					
Within 1 year	**2,377,426**	**3,402,277**	**3,591,464**	**384,693**	**9,755,860**
1–2 years	**–**	**7,149,264**	**3,899,104**	**1,772,768**	**12,821,136**
2–5 years	**3,189,507**	**994,953**	**5,721,722**	**580,290**	**10,486,472**
Over 5 years	**–**	**–**	**2,472,400**	**–**	**2,472,400**
	5,566,933	**11,546,494**	**15,684,690**	**2,737,751**	**35,535,868**
As at 31 December 2016					
Within 1 year	665,530	2,644,232	2,979,513	1,246,808	7,536,083
1–2 years	1,369,421	726,647	1,741,647	1,440,865	5,278,580
2–5 years	1,344,303	6,024,674	4,719,753	210,717	12,299,447
Over 5 years	–	3,475,312	1,436,751	–	4,912,063
	3,379,254	12,870,865	10,877,664	2,898,390	30,026,173

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

	31 December 2017	31 December 2016
Senior notes	**7.78%**	9.43%
Corporate bonds	**6.49%**	6.12%
Bank and other borrowings	**5.81%**	5.55%

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
RMB	**27,167,637**	26,188,686
HK$	**533,511**	265,831
US$	**7,834,720**	3,571,656
	35,535,868	30,026,173

22 BORROWINGS (CONTINUED)

(j) As at 31 December 2017 and 2016, the Group had the following undrawn borrowing facilities:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Floating rate:		
– expiring within 1 year	**–**	356,000
– expiring beyond 1 year	**3,054,855**	2,195,215
Fixed rate:		
– expiring within 1 year	**–**	178,500
	3,054,855	2,729,715

23 DEFERRED INCOME TAX

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Deferred income tax assets:		
To be realised after more than 12 months	**241,394**	236,246
To be realised within 12 months	**126,448**	123,752
	367,842	359,998
Deferred income tax liabilities:		
To be realised after more than 12 months	**(4,539,257)**	(4,041,526)
To be realised within 12 months	**(194,514)**	–
	(4,733,771)	(4,041,526)
	(4,365,929)	(3,681,528)

23 DEFERRED INCOME TAX (CONTINUED)

The net movements on the deferred income tax are as follows:

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
At 1 January	**(3,681,528)**	(3,290,603)
Recognised in income tax expenses (Note 31)	**(242,448)**	(387,112)
Tax charge relating to components of other comprehensive income (Note 20(d))	**(10,064)**	(3,813)
Consolidations of entities previously held as joint ventures (Note 41)	**(522,860)**	–
Disposal of a subsidiary	**90,971**	–
At 31 December	**(4,365,929)**	(3,681,528)

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

Deferred income tax assets

	Temporary difference on unrealised profit of inter-company transactions RMB'000	**Tax losses** RMB'000	**Total** RMB'000
At 1 January 2017	**229,962**	**218,997**	**448,959**
(Charged)/credited to the income tax expenses	**(272)**	**14,474**	**14,202**
Disposal of a subsidiary	**–**	**(2,392)**	**(2,392)**
At 31 December 2017	**229,690**	**231,079**	**460,769**
At 1 January 2016	258,823	212,367	471,190
(Charged)/credited to the income tax expenses	(28,861)	6,630	(22,231)
At 31 December 2016	229,962	218,997	448,959

23 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities

	Excess of carrying amount of land use right over the tax bases RMB'000	Temporary difference on unrealised profit of inter-company transactions RMB'000	Temporary difference on revaluation gains of investment properties RMB'000	Temporary difference on revaluation of available-for-sale financial assets RMB'000	Total RMB'000
At 1 January 2017	–	(4,413)	(4,042,032)	(84,042)	(4,130,487)
Consolidations of entities previously held as joint ventures (Note 41)	(428,955)	–	(93,905)	–	(522,860)
Tax credited/(charged) the income tax expenses	305,032	(365)	(561,317)	–	(256,650)
Tax charge relating to components of other comprehensive income	–	–	–	(10,064)	(10,064)
Disposal of a subsidiary	–	–	93,363	–	93,363
At 31 December 2017	(123,923)	(4,778)	(4,603,891)	(94,106)	(4,826,698)
At 1 January 2016	–	(3,628)	(3,677,936)	(80,229)	(3,761,793)
Tax charged to the income tax expenses	–	(785)	(364,096)	–	(364,881)
Tax charge relating to components of other comprehensive income	–	–	–	(3,813)	(3,813)
At 31 December 2016	–	(4,413)	(4,042,032)	(84,042)	(4,130,487)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB44,526,000 (2016: RMB56,501,000) in respect of losses amounting to RMB178,104,000 (2016: RMB226,004,000) that can be carried forward against future taxable income. The tax losses could be carried forward for a maximum of five years.

Deferred income tax liabilities of RMB2,186,590,000 (2016: RMB2,034,736,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled RMB24,893,158,000 as at 31 December 2017 (2016: RMB22,648,208,000), as the Group does not have a plan to distribute these earnings out of the PRC.

24 TRADE AND OTHER PAYABLES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Trade payables (Note (a))	**7,156,449**	5,511,247
– Related parties (Note 37(d))	**18,839**	32,665
– Third parties	**7,107,328**	5,247,531
– Notes payable – third parties	**30,282**	231,051
Other payables and accruals	**8,580,273**	4,648,449
– Related parties (Note 37(d))	**4,508,599**	3,097,696
– Third parties (Note (b))	**4,071,674**	1,550,753
Payables for retention fee	**697,633**	505,615
Payables for acquisition of land use rights	**261,286**	177,189
Other taxes payables	**512,462**	391,843
	17,208,103	11,234,343

(a) The ageing analysis of trade payables as at 31 December 2017 and 2016 based on invoice date is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 90 days	**4,525,782**	2,142,205
Over 90 days and within 180 days	**804,875**	1,551,329
Over 180 days and within 365 days	**955,536**	893,748
Over 365 days and within 3 years	**870,256**	923,965
	7,156,449	5,511,247

(b) Other payables mainly included deposits from property purchasers and current accounts due to other shareholders of certain subsidiaries of the Group. These amounts are interest-free, unsecured and repayable on demand.

(c) The Group's trade and other payables are mainly denominated in RMB.

25 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	31 December	
	2017	2016
	RMB'000	RMB'000
Current income tax liabilities		
– PRC corporate income tax payable	**2,294,105**	1,985,378
– Withholding income tax for the profits to be distributed from the group companies in the PRC	**123,792**	104,956
– PRC land appreciation tax payable	**2,302,227**	1,611,167
	4,720,124	3,701,501

26 EXPENSES BY NATURE

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	**8,824,583**	8,215,021
Staff costs (including directors' emoluments)	**959,117**	763,264
Employee benefit expenditure – including directors' emoluments	**1,055,434**	843,667
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(96,317)**	(80,403)
Business taxes and other levies (Note (a))	**280,953**	417,620
Advertising costs	**291,571**	235,576
Property management fees	**264,398**	207,036
Hotel operations expenses	**296,718**	201,364
Depreciation (Note 6)	**159,372**	135,628
Donations	**58,778**	70,027
Amortisation of land use rights (Note 7)	**24,241**	22,694
Auditor's remuneration	**6,000**	5,696
– Audit services	**5,100**	4,800
– Non-audit services	**900**	896
Office lease payments	**5,618**	5,431

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

27 STAFF COSTS

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Wages and salaries	**866,891**	690,647
Pension costs – statutory pension	**146,638**	118,139
Other staff welfare and benefits	**41,154**	32,103
Value of employee services under Share Award Scheme	**751**	2,778
	1,055,434	843,667
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(96,317)**	(80,403)
	959,117	763,264

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including four (2016: two) directors whose emoluments are reflected in the analysis presented in Note 43. The aggregate amounts of emoluments of the other one (2016: three) highest paid individuals for the year ended 31 December 2017 and 2016 are set out below:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Wages and salaries	**720**	1,800
Retirement scheme contributions	**87**	249
Housing allowance	**96**	407
Share Award Scheme	**–**	212
	903	2,668

The emoluments fell within the following bands:

	Number of individuals 2017	Number of individuals 2016
Emolument bands (in HK$)		
HK$1,000,000 to HK$1,500,000	**1**	3

(b) Pensions – defined contribution plans

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

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

28 OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Fair value gains on the remeasurement of investments in joint ventures	**282,450**	–
Interest income	**158,931**	–
Investment gain from derivative financial instruments	**71,775**	16,710
Fair value gains/(losses) on financial assets at fair value through profit or loss	**15,089**	(2,400)
Gains on disposal of investment properties	**14,756**	4,831
Gains on disposal of financial assets at fair value through profit or loss	**9,526**	–
Dividend income of financial assets at fair value through profit or loss	**1,949**	–
Penalty on cancellation of sales contracts	**–**	30,000
Fair value losses on derivative financial instruments	**–**	(39,719)
Others	**7,089**	435
	561,565	9,857

29 EXCHANGE (LOSSES)/GAINS – NET

Amount mainly represents the net gain or loss on translation of foreign currency financial assets and liabilities from foreign currency into RMB at the prevailing year-end exchange rate. It does not include the exchange gain or loss of translation of borrowings which are included in the "Finance costs – net" (Note 30).

30 FINANCE COSTS – NET

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Interest expenses:		
Bank borrowings and other borrowings	**967,825**	917,523
Senior notes	**292,313**	321,463
Corporate bonds	**763,350**	388,065
Less: interest capitalised	**(1,091,352)**	(1,361,824)
	932,136	265,227
Foreign exchange (gains)/losses on financing activities – net	**(359,518)**	316,541
Less: capitalised	**–**	(72,284)
	(359,518)	244,257
Losses of early redemption of senior notes	**–**	169,484
	572,618	678,968

31 INCOME TAX EXPENSES

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Current income tax:		
PRC corporate income tax	**1,162,386**	770,304
PRC land appreciation tax ("LAT")	**701,850**	806,524
Reversal of withholding income tax for distributable profits of the PRC subsidiaries due to change of tax rate	**–**	(5,344)
	1,864,236	1,571,484
Deferred income tax:		
PRC corporate income tax	**242,448**	387,112
PRC land appreciation tax	**173,756**	–
	2,280,440	1,958,596

The tax charge on other comprehensive income has been disclosed in Note 20(d).

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

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Profit before income tax	**6,148,183**	4,707,800
Calculated at applicable corporate income tax rate	**1,721,418**	1,382,790
Effect of expenses not deductible for income tax	**92,443**	8,797
Effect of income not subject to income tax	**(160,492)**	(10,466)
Share of profit of investments accounted for using the equity method	**(49,340)**	(78,574)
Tax losses for which no deferred income tax asset was recognised	**44,526**	56,500
Utilisation of tax losses previously not recognised	**(24,819)**	–
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(218,902)**	(201,631)
	1,404,834	1,157,416
Reversal of withholding income tax for distributable profits of the PRC subsidiaries due to change of tax rate	**–**	(5,344)
PRC land appreciation tax	**875,606**	806,524
	2,280,440	1,958,596

31 INCOME TAX EXPENSES (CONTINUED)

PRC corporate income tax

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

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

PRC land appreciation tax ("LAT")

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

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

Overseas income tax

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

Hong Kong profits tax

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

32 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group and held for Share Award Scheme (Note 20 (c)).

	Year ended 31 December	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	**3,336,752**	2,464,682
Weighted average number of ordinary shares in issue (thousand shares)	**3,967,240**	3,954,838
Basic earnings per share (RMB cents per share)	**84.108**	62.321

(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.

	Year ended 31 December	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	**3,336,752**	2,464,682
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**3,969,298**	3,961,222
Weighted average number of ordinary shares in issue (thousand shares)	**3,967,240**	3,954,838
Adjustments for share options (thousand shares)	**2,058**	6,384
Diluted earnings per share (RMB cents per share)	**84.064**	62.220

33 DIVIDENDS

The dividend paid in 2017 consists of (i) the payment of the 2016 final cash dividend of HK$16.0 cents per ordinary share totalling HK$639,568,000 (equivalent to RMB556,802,000) (2015 final dividend: HK$9.0 cents, amounting to RMB301,397,000), excluding the dividend of RMB5,508,000 (2016: RMB3,422,000) payable to the Share Award Scheme Trust, and (ii) 2017 interim dividend of HK$5.4 cents per ordinary share in form of cash totalling HK$215,854,000 (equivalent to RMB183,729,000) (2016 interim dividend: nil).

The Board recommended the payment of a final dividend of HK$19.6 cents (equivalent to RMB16.4 cents based on the exchange rate of 29 December 2017) per ordinary share. Total amount of final dividend would be HK$783,471,000 (equivalent to RMB654,911,000) which is calculated according to the ordinary shares in issue as of 31 December 2017. Such dividend is subject to approval by the shareholders at the Annual General Meeting on 8 June 2018. These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Proposed final dividends	**654,911**	572,014

34 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before taxation	**6,148,183**	4,707,800
Adjustments for:		
Depreciation (Note 6)	**159,372**	135,628
Amortisation of land use rights recognised as expense (Note 7)	**24,241**	22,694
Fair value gains on investment properties – net (Note 8)	**(2,135,356)**	(1,519,884)
Share of profit of investments accounted for using the equity method (Note 15)	**(197,359)**	(314,295)
Amortisation of Share Award Scheme (Note 20)	**751**	2,778
Other income and gains-net (Note 28)	**(561,565)**	(9,857)
Finance costs – net (Note 30)	**572,618**	678,968
Exchange losses/(gains)	**3,391**	(2,343)
Changes in operating capital:		
Properties under development and completed properties held for sale	**(508,665)**	1,231,639
Restricted cash	**273,895**	(32,703)
Trade and other receivables	**1,104,547**	(1,228,759)
Prepayments	**(2,717,775)**	(672,860)
Financial assets at fair value through profit or loss	**22,665**	(29,403)
Trade and other payables	**2,369,947**	969,607
Advances from customers	**(254,779)**	(459,365)
Cash generated from operation	**4,304,111**	3,479,645

34 CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Loan from related parties RMB'000	Borrowing due within 1 year RMB'000	Borrowing due after 1 year RMB'000	Total RMB'000
Net debt as at 1 January 2017	3,130,361	7,536,083	22,490,090	33,156,534
Cash flows	2,642,439	(2,086,904)	7,159,522	7,715,057
Consolidations of entities previously held as joint ventures (Note 41)	–	320,000	665,000	985,000
Disposal of subsidiary	–	(8,000)	(202,000)	(210,000)
Foreign exchange adjustments	–	(164,132)	(84,080)	(248,212)
Classification	–	4,427,644	(4,427,644)	–
Other non-cash movements (Note (i))	(1,245,362)	(268,831)	179,120	(1,335,073)
Net debt as at 31 December 2017	4,527,438	9,755,860	25,780,008	40,063,306

(i) Other non-cash movements comprise mainly 1) the elimination of the loans from joint ventures after the joint ventures were changed to subsidiaries of the Group during the year, and 2) amortisation of issuance costs of senior notes and corporate bonds.

35 FINANCIAL GUARANTEE CONTRACTS

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

	31 December	
	2017 RMB'000	2016 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**11,378,429**	9,290,180
Guarantees for borrowings of joint ventures (Note (b))	**1,519,000**	1,895,000
	12,897,429	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) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

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

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

36 COMMITMENTS

(a) Commitments for property development expenditures

	31 December 2017 RMB'000	31 December 2016 RMB'000
Contracted but not provided for:		
Properties development activities	**4,132,025**	5,432,836
Acquisition of land use rights	**46,660**	85,540
	4,178,685	5,518,376

(b) Operating leases commitments

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
– Not later than one year	**5,249**	3,645
– Later than one year and not later than two years	**863**	3,005
– Later than two years and not later than three years	**102**	424
	6,214	7,074

37 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Company (incorporated in Cayman Islands)
Mr. Hoi Kin Hong	The ultimate controlling shareholder and also the director of the Company
The Controlling Shareholders, including Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	A close family member of ultimate controlling shareholder, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also the directors of the Company
Sky Infinity Holdings Limited	Shareholder of the Company and fully owned subsidiary of Mr. Hoi Kin Hong
Powerlong Group Development Co., Ltd. 寶龍集團發展有限公司	Controlled by the ultimate Controlling Shareholder
Macau Powerlong Group 澳門寶龍集團發展有限公司	Controlled by the ultimate Controlling Shareholder
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Controlled by the ultimate Controlling Shareholder
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Controlled by the ultimate Controlling Shareholder
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊文化發展有限公司	Controlled by the ultimate Controlling Shareholder
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Controlled by the ultimate Controlling Shareholder
Great Merchant Limited 弘商有限公司	Controlled by the ultimate Controlling Shareholder
Tianjin Jinjun 天津金駿	Joint venture of the Group
Hangzhou Xiaoshan Powerlong Property Co., Ltd. 杭州蕭山寶龍置業有限公司	Joint venture of the Group
Baohui 寶匯	Joint venture of the Group
Shanghai Xingwan Property Co., Ltd. 上海興萬置業有限公司	Joint venture of the Group
Shanghai Xuting Property Co., Ltd. 上海旭亭置業有限公司	Joint venture of the Group
Shanghai Zhanyao (Note 15(a)(i)) 上海展耀	Joint venture of the Group
Fuyang Powerlong Zhanyao Property Co., Ltd. 阜陽寶龍展耀置業有限公司	Joint venture of the Group
Golden Wheel 金輪	Joint venture of the Group
Tianjin Shunji Real Estate Development Co., Ltd. 天津順集置業有限公司	Joint venture of the Group
Ningbo Powerlong Huafeng Real Estate Development Co., Ltd. 寧波寶龍華灃置業發展有限公司	Joint venture of the Group
Hangzhou Donghui Real Estate Co., Ltd. 杭州東輝置業有限公司	Joint venture of the Group
Shanghai Baozhan Real Estate Development Co., Ltd. 上海寶展房地產開發有限公司	Joint venture of the Group
Jinjiang Ruilong Real Estate Development Co., Ltd. 晉江市睿龍置業發展有限公司	Joint venture of the Group

37 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Name	Relationship
Nanjing Weirun Real Estate Development Co., Ltd. 南京威潤房地產開發有限公司	Joint venture of the Group
Hangzhou Zhanxiang Industrial Co., Ltd. 杭州展驤實業有限公司	Joint venture of the Group
Hangzhou Maohui Business Consulting Co., Ltd. 杭州茂輝商務諮詢有限公司	Joint venture of the Group
Ningbo Youngor New Longland Real Estate Development Co., Ltd. 寧波雅戈爾新長島置業有限公司	Joint venture of the Group
Shanghai Mijie Property Management Co., Ltd. 上海芈杰企業管理有限公司	Joint venture of the Group
Ningbo Youngor North City Real Estate Development Co., Ltd. 寧波雅戈爾北城置業有限公司	Joint venture of the Group
Changying Yehai (Hainan) Real Estate Development Co., Ltd. 長影椰海(海南)房地產開發有限公司	Joint venture of the Group
Changying Yuehai (Hainan) Real Estate Development Co., Ltd. 長影粵海(海南)房地產開發有限公司	Joint venture of the Group
Changying Nanhai (Hainan) Real Estate Development Co., Ltd. 長影南海(海南)房地產開發有限公司	Joint venture of the Group
Changying Binhai (Hainan) Real Estate Development Co., Ltd. 長影濱海(海南)房地產開發有限公司	Joint venture of the Group
Changying Fuda (Hainan) Real Estate Development Co., Ltd. 長影福達(海南)房地產開發有限公司	Joint venture of the Group
Changying Xingda (Hainan) Real Estate Development Co., Ltd. 長影興達(海南)房地產開發有限公司	Joint venture of the Group
Changying Lida (Hainan) Real Estate Development Co., Ltd. 長影利達(海南)房地產開發有限公司	Joint venture of the Group
Changying Changliu (Hainan) Real Estate Development Co., Ltd 長影長流(海南)房地產開發有限公司	Joint venture of the Group
Changying Tongda (Hainan) Real Estate Development Co., Ltd. 長影通達(海南)房地產開發有限公司	Joint venture of the Group
Changying Jindao (Hainan) Real Estate Development Co., Ltd. 長影金島(海南)房地產開發有限公司	Joint venture of the Group
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	Associate of the Group
Shanghai Zunchang (Note 15(a)(i)) 上海樽昶	Associate of the Group
Suzhou Macalline Real Estate Co., Ltd 蘇州紅星美凱龍房地產開發有限公司	Associate of the Group
Shanghai Hukang Property Management Co., Ltd. 上海湖康企業管理有限公司	Associate of the Group
Shanghai Hubang Real Estate Development Co., Ltd. 上海湖邦房地產有限公司	Associate of the Group

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

(i) During the years ended 31 December 2017 and 2016, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Nature of transactions		
Controlled by the ultimate controlling shareholder		
Sales of properties	**–**	90,046
Rental income from related parties	**2,349**	3,138
Property management fee income	**771**	776
Purchase of office equipment and security intelligentisation system services from related parties	**43,946**	55,576
Hotel accommodation service fee charged by a related party	**1,218**	160
	48,284	149,696

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Joint ventures		
Sales of construction materials to joint ventures	**68,242**	86,820
Consultation services provided to joint ventures	**34,058**	26,584
Guarantees for borrowings of joint ventures	**1,519,000**	1,895,000
	1,621,300	2,008,404

The above transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year.

(ii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB2,399,356,000 as at 31 December 2017 (31 December 2016: bank borrowings of RMB2,825,495,300) (Note 22).

(iii) In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Key management compensation is set out below:

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Key management compensation		
– Salaries and other employee benefits	**14,735**	10,268
– Pension costs	**1,096**	709
	15,831	10,977

(d) Balances with related parties

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

	31 December 2017 RMB'000	2016 RMB'000
Amounts due from related parties included in other receivables (Note (ii)):		
Controlled by the ultimate controlling shareholder	**21,376**	21,376
Joint ventures	**5,796,673**	1,082,578
Associates	**14**	131,514
	5,818,063	1,235,468
Amounts due to related parties included in trade payables (Note (i)):		
Controlled by the ultimate controlling shareholder	**17,561**	11,240
Joint ventures	**1,278**	21,425
	18,839	32,665
Amounts due to related parties included in other payables (Note (ii)):		
Controlled by the ultimate controlling shareholder	**437,143**	209,820
Joint ventures	**3,327,941**	2,796,526
Associates	**743,515**	91,350
	4,508,599	3,097,696
Amounts due to related parties included in advances from customers (Note (iii)):		
A close family member of ultimate controlling shareholder	**6,570**	6,628

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

(ii) Amounts due from/to related parties included in other receivables/payables are cash advances in nature. Apart from amounts due from certain joint ventures with interest bearing (Note 11(c)), others are unsecured, interest-free and receivable/repayable on demand.

(iii) Amounts due to related parties included in advances from customers are mainly advance paid by the ultimate controlling shareholder of the Company for purchase of properties from the Group.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	31 December		Maximum amount outstanding for the year ended 31 December	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Entities controlled by the ultimate Controlling Shareholder (Note (d))	**21,376**	21,376	**21,376**	21,376

38 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2017 are set out below.

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
Powerlong Real Estate (BVI) Holdings Limited	British Virgin Islands 20 July 2007	Limited liability company	HK$100	100%	–	Investment holding in British Virgin Islands
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 5 July 2007	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
Wide Evolution Limited	Hong Kong 11 February 2008	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
上海寶龍康晟房地產發展有限公司 Shanghai Powerlong Kangsheng Real Estate Development Co., Ltd.	the PRC 11 August 2011	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
上海康睿房地產發展有限公司 Shanghai Kangrui Real Estate Development Co., Ltd	the PRC 27 January 2014	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC

38 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
天津寶龍城房地產開發有限公司 Tianjin Powerlong City Real Estate Development Co., Ltd.	the PRC 09 March 2011	Limited liability company	RMB300,000,000	100%	–	Property development and property investment in the PRC
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	the PRC 13 July 2006	Limited liability company	RMB660,000,000	100%	–	Property development and property investment in the PRC
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Development Co., Ltd.	the PRC 25 December 2007	Limited liability company	US$293,833,329	100%	–	Property development and property investment in the PRC
晉江市晉龍實業發展有限公司 Jinjiang Jinlong Industrial Development Co., Ltd.	the PRC 20 December 2010	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
杭州寶龍房地產開發有限公司 Hangzhou Powerlong Real Estate Development Co., Ltd.	the PRC 14 December 2010	Limited liability company	US$199,900,000	100%	–	Property development and property investment in the PRC
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd.	the PRC 29 August 2006	Limited liability company	RMB80,000,000	100%	–	Hotel operation in the PRC
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC 21 November 2007	Limited liability company	RMB44,000,000	100%	–	Property development and property investment in the PRC
上海龍潛實業發展有限公司 Shanghai Longqian Industrial Development Co., Ltd.	the PRC 13 November 2013	Limited liability company	RMB10,000,000	82%	18%	Investment holding in the PRC
上海寶龍實業發展有限公司 Shanghai Powerlong Industrial Development Co., Ltd.	the PRC 22 February 2010	Limited liability company	RMB4,183,562,245	100%	–	Investment holding in the PRC
上海瑞龍投資管理有限公司 Shanghai Ruilong Investment Management Co., Ltd.	the PRC 08 June 2010	Limited liability company	RMB105,000,000	100%	–	Investment holding in the PRC

38 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
廈門寶龍地產管理有限公司 Xiamen Powerlong Property Management Co., Ltd.	the PRC 16 October 2007	Limited liability company	RMB4,338,000	100%	–	Investment holding in the PRC
寶龍置地發展有限公司 Powerlong Land Development Limited	Hong Kong 03 October 2008	Limited liability company	HK$50,000	82%	18%	Investment holding in Hong Kong
上海寶龍英聚企業發展有限公司 Shanghai Powerlong Yingju Enterprise Development Co., Ltd.	the PRC 25 June 2012	Limited liability company	USD87,500,000	82%	18%	Investment holding in the PRC
上海商盛投資管理諮詢有限公司 Shanghai Shangsheng Management Consulting Co., Ltd.	the PRC 15 December 2010	Limited liability company	USD3,000,000	100%	–	Investment holding in the PRC
上海寶龍物業管理有限公司 Shanghai Powerlong Property Management Co., Ltd.	the PRC 05 April 2007	Limited liability company	RMB5,000,000	100%	–	Property management in the PRC
上海寶龍展飛房地產開發有限公司 Shanghai Powerlong Zhanfei Real Estate Development Co., Ltd	the PRC 09 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development and property investment in the PRC
廈門寶龍實業有限公司 Xiamen Powerlong Industrial Development Co., Ltd.	the PRC 25 November 2013	Limited liability company	RMB300,000,000	100%	–	Property development and property investment in the PRC
杭州華展房地產開發有限公司 Hangzhou Huazhan Real Estate Development Co., Ltd	the PRC 04 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development and property investment in the PRC
蚌埠寶龍置業有限公司 Bengbu Powerlong Property Development Co., Ltd.	the PRC 21 February 2006	Limited liability company	RMB10,500,000	100%	–	Property development and property investment in the PRC

38 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
福州寶龍房地產發展有限公司 Fuzhou Powerlong Real Estate Development Co., Ltd	the PRC 21 October 2003	Limited liability company	RMB66,104,400	100%	–	Property development and property investment in the PRC
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited	the PRC 03 March 2006	Limited liability company	RMB80,000,000	100%	–	Property development and property investment in the PRC
常州寶龍置業發展有限公司 Changzhou Powerlong Real Estate Development Co., Ltd.	the PRC 30 June 2008	Limited liability company	RMB572,141,200	100%	–	Property development and property investment in the PRC
上海寶龍精駿房地產開發有限公司 Shanghai Powerlong Jingjun Real Estate Development Co., Ltd	the PRC 18 March 2015	Limited liability company	RMB50,000,000	100%	–	Property development and property investment in PRC
煙台寶龍置業發展有限公司 Yantai Powerlong Property Development Co., Ltd.	the PRC 06 June 2012	Limited liability company	RMB281,606,216	100%	–	Property development and property investment in the PRC
鎮江寶龍置業發展有限公司 Zhenjiang Powerlong Property Development Co., Ltd.	the PRC 09 November 2011	Limited liability company	RMB635,112,293	69%	31%	Property development and property investment in the PRC
富陽寶龍房地產開發有限公司 Fuyang Powerlong Real Estate Development Co., Ltd.	the PRC 30 October 2013	Limited liability company	RMB210,167,600	82%	18%	Property development and property investment in the PRC
上海寶龍瑞勝房地產開發有限公司 Shanghai Powerlong Ruisheng Real Estate Development Co., Ltd	the PRC 07 March 2014	Limited liability company	RMB180,000,000	82%	18%	Property development and property investment in PRC
永春寶龍房地產開發有限公司 Yongchun Powerlong Real Estate Development Co., Ltd	the PRC 15 January 2014	Limited liability company	RMB150,000,000	42%	58%	Property development and property investment in PRC

38 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
阜陽寶龍展耀置業有限公司 Fuyang Powerlong Zhanyao Property Co., Ltd.	the PRC 29 August 2014	Limited liability company	RMB100,000,000	42%	58%	Property development and property investment in PRC
青島寶龍英聚文化旅遊開發有限公司 Qingdao Powerlong Yingju Cultural Tourism Development Co., Ltd.	the PRC 07 June 2013	Limited liability company	RMB186,909,400	61%	39%	Property development and property investment in PRC
上海寶龍睿承房地產開發有限公司 Shanghai Powerlong Ruicheng Real Estate Development Co., Ltd	the PRC 18 December 2015	Limited liability company	RMB335,000,000	82%	18%	Property development and property investment in PRC
重慶寶龍長潤置業發展有限公司 Chongqing Powerlong Real Estate Development Co., Ltd.	the PRC 28 October 2010	Limited liability company	RMB66,597,000	100%	–	Property development and property investment in PRC
漳州寶龍置業有限公司 Zhangzhou Powerlong Property Development Co., Ltd.	the PRC 04 December 2012	Limited liability company	RMB100,000,000	75%	25%	Property development and property investment in PRC
鄭州茂龍企業管理諮詢有限公司 Zhengzhou Maolong Enterprise Management Consulting Co., Ltd.	the PRC 07 April 2005	Limited liability company	RMB289,000,000	100%	–	Property development and property investment in PRC
上海寶龍富閩房地產開發有限公司 Shanghai Powerlong Fumin Real Estate Development Co., Ltd	the PRC 26 November 2015	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
鹽城寶龍置業發展有限公司 Yancheng Powerlong Real Estate Development Co., Ltd.	the PRC 13 May 2008	Limited liability company	RMB204,924,000	100%	–	Property development and property investment in the PRC

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

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

39 CHANGE IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

During the year ended 31 December 2017, the Group acquired certain equity interests in certain subsidiaries at a total consideration of RMB390,113,000, out of which RMB200,000,000 was settled by cash and the remaining RMB190,113,000 was by transfer of the Group's equity interest in another subsidiary. The difference between consideration paid and the carrying amount of equity interests acquired amounting to RMB6,875,000 deducted the reserves.

40 ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2017, the Group acquired controlling interests of certain property development companies in the PRC at consideration totalling approximately RMB218,496,000. These companies only held parcels of land and did not conduct any substantial operation before they were acquired by the Group. Thus, the directors are of the view that the acquisitions do not constitute acquisition of businesses, and have been treated as acquisition of land use rights. These acquisitions resulted in an increase in the non-controlling interests of the Group totalling RMB39,993,000.

41 CHANGE FROM JOINT VENTURES TO SUBSIDIARIES

On 1 September 2017, the joint venture partner of Shanghai Zhanyao and its subsidiary ("Zhanyao Group") have transferred the controlling rights of the jointly controlled projects to the Group. Accordingly, Zhaoyao Group changed from joint ventures to subsidiaries of the Group. The investments in Zhanyao Group is deemed as having been disposed, and were remeasured to fair value at the date of deemed disposal, the resulting gains of RMB282,450,000 from the remeasurements are recognised in the consolidated income statement in accordance with HKFRS 3 – Business Combinations.

Shanghai Zunchang is held by Shanghai Zhanyao, another subsidiary of the Group and a third party as to 50%, 25% and 25%, respectively. The Group previously account for investment in Shanghai Zunchang as an associate. Upon Shanghai Zhanyao became a subsidiary of the Group, the Group obtained control over Shanghai Zunchang accordingly.

41 CHANGE FROM JOINT VENTURES TO SUBSIDIARIES (CONTINUED)

The following table summarises the remeasurement gains on the investments in the joint ventures, the fair value of identifiable assets acquired, liabilities assumed and the non-controlling interests recognised at the respective consolidation dates.

	Zhanyao Group RMB'000	Shanghai Zunchang RMB'000	Elimination RMB'000	Total RMB'000
Carrying amounts of the Group's investments in respective entities	306,954	2,482	–	309,436
Fair value gains on the remeasurement of respective entities	282,450	–	–	282,450
Fair value of the investments in respective entities	589,404	2,482	–	591,886
Recognised amounts of identifiable assets acquired and liabilities assumed				
Investment properties	709,954	–	–	709,954
Property and equipment	59,885	–	–	59,885
Land use rights	29,293	–	–	29,293
Properties under development	1,863,934	–	–	1,863,934
Completed properties held for sale	226,161	–	–	226,161
Investments accounted for using the equity method	4,964	278,479	(4,964)	278,479
Trade and other receivables	1,993,467	953,859	(160,000)	2,787,326
Prepayments	14,431	–	–	14,431
Cash and cash equivalents	95,759	4,225	–	99,984
Borrowings	(160,000)	(825,000)	–	(985,000)
Deferred income tax liabilities	(522,860)	–	–	(522,860)
Advances from customers	(2,122,454)	–	–	(2,122,454)
Trade and other payables	(988,683)	(401,635)	160,000	(1,230,318)
Current income tax liabilities	(48,157)	–	–	(48,157)
Total identifiable net assets	1,155,694	9,928	(4,964)	1,160,658
Non-controlling interest	(566,290)	(7,446)	4,964	(568,772)
Identifiable net assets acquired	589,404	2,482	–	591,886
Goodwill	–	–	–	–

The acquired businesses contributed revenues of RMB1,978,103,000 and net profit of RMB213,745,000 to the Group for the period from the respective acquisition dates to 31 December 2017. If the acquisitions had occurred on 1 January 2017, consolidated revenue and consolidated profit for the year ended 31 December 2017 would have been RMB15,592,641,000 and RMB3,988,599,000 respectively.

42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

Balance sheet of the Company

	Note	31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**6,306,863**	6,306,112
Current assets			
Amounts due from subsidiaries		**11,198,660**	8,603,468
Financial assets at fair value through profit or loss		**28,953**	27,003
Restricted cash		**2,037**	70
Cash and cash equivalents		**303,365**	429,040
		11,533,015	9,059,581
Total assets		**17,839,878**	15,365,693
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**2,066,162**	2,683,046
Other reserves	(a)	**–**	7,988
Accumulated losses	(a)	**(213,281)**	(271,818)
Total equity		**1,852,881**	2,419,216
LIABILITIES			
Non-current liabilities			
Borrowings		**8,421,554**	8,078,292
Current liabilities			
Other payables and accruals		**271,064**	273,010
Amounts due to subsidiaries		**1,745,287**	98,943
Borrowings		**5,549,092**	4,385,977
Derivative financial instruments		**–**	110,255
		7,565,443	4,868,185
Total liabilities		**15,986,997**	12,946,477
Total equity and liabilities		**17,839,878**	15,365,693

The balance sheet of the Company was approved by the Board of Directors on 26 March 2018 and was signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (CONTINUED)

(a) Reserve movements of the Company

	Other reserves RMB'000	Accumulated losses RMB'000
At 1 January 2016	21,670	(72,920)
Loss for the year	–	(206,632)
Pre-IPO Share Option Scheme expiry	(7,734)	7,734
Share Award Scheme – value of employee services	2,778	–
Share Award Scheme – transfer of vested shares under Share Award Scheme to the staff	(8,726)	–
As at 31 December 2016	7,988	(271,818)
At 1 January 2017	**7,988**	**(271,818)**
Profit for the year	**–**	**58,537**
Share Award Scheme – value of employee services	**751**	**–**
Share Award Scheme – transfer of vested shares under Share Award Scheme to the staff	**(8,739)**	**–**
As at 31 December 2017	**–**	**(213,281)**

43 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 December 2017 are set out below:

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

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Pre-IPO Share Option Scheme RMB'000	Share Award Scheme RMB'000	Total RMB'000
Executive directors							
Mr. Hoi Kin Hong	960	–	240	–	–	45	1,245
Mr. Hoi Wa Fong	720	14	240	–	–	36	1,010
Mr. Xiao Qing Ping	600	24	240	114	–	37	1,015
Ms. Shih Sze Ni	480	14	240	–	–	23	757
Mr. Zhang Hong Feng	600	87	240	40	–	8	975
Non-executive directors					–		
Ms. Hoi Wa Fan	–	–	144	–	–	–	144
Independent non-executive directors	–						
Mr. Ngai Wai Fung	–	–	240	–	–	–	240
Mr. Mei Jian Ping	–	–	240	–	–	–	240
Mr. Ding Zu Yu	–	–	240	–	–	–	240
	3,360	139	2,064	154	–	149	5,866

43 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

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

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

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

Notes:

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

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2017 (2016: nil).

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

For the year ended 31 December 2017, the Group did not pay consideration to any third parties for making available directors' services (2016: nil).

43 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

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

Name of the borrower	Nature of connection	Total amount payable RMB'000	Outstanding/ aggregate outstanding amounts at the beginning of the year RMB'000	Outstanding/ aggregate outstanding amounts at the end of the year RMB'000	Maximum outstanding during the year RMB'000	Amounts/ aggregate amounts fallen due but not been paid RMB'000	Provisions/ aggregate provisions for doubtful/ bad debts made RMB'000	Term	Interest rate
At 31 December 2017:									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	–	–	Unsecured, interest – free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	–	–		
At 31 December 2016:									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	–	–	Unsecured, interest – free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	–	–		

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

44 EVENTS AFTER THE BALANCE SHEET DATE

On 29 January 2018, the Group entered into a subscription agreement for HKD-settled convertible bonds to be issued by the Company in an aggregate principal amount of HK$1,990,000,000 due 11 February 2019 (the Convertible Bonds). Assuming full conversion of the Convertible Bonds at the initial conversion price of HK$5.4463 per share, the Convertible Bonds will be convertible into 365,385,674 shares. The Convertible Bonds could be converted into ordinary shares of the Company at the initial conversion price of HK$5.4463 per share at any time on or after which is 41 days after 13 February 2018 and before the seven business day prior to the maturity date. The Convertible Bonds are listed in the Singapore Exchange Securities Trading Limited.

Five-year Financial Summary

CONSOLIDATED BALANCE SHEET

	31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Assets					
Non-current assets	**50,030,078**	42,305,100	34,403,062	29,006,267	23,217,836
Current assets	**45,460,670**	36,822,419	32,259,152	28,147,460	25,285,081
Total assets	**95,490,748**	79,127,519	66,662,214	57,153,727	48,502,917
EQUITY AND LIABILITIES					
Total equity	**29,474,189**	25,940,249	22,758,529	20,609,482	17,646,133
Liabilities					
Non-current liabilities	**30,513,779**	26,531,616	20,491,772	17,689,834	15,042,323
Current liabilities	**35,502,780**	26,655,654	23,411,913	18,854,411	15,814,461
Total liabilities	**66,016,559**	53,187,270	43,903,685	36,544,245	30,856,784
Total equity and liabilities	**95,490,748**	79,127,519	66,662,214	57,153,727	48,502,917

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	**15,592,641**	14,295,617	11,907,300	9,662,995	7,256,938
Cost of sales	**(10,367,557)**	(9,517,476)	(7,985,447)	(6,880,023)	(5,201,756)
Gross profit	**5,225,084**	4,778,141	3,921,853	2,782,972	2,055,182
Fair value gains on investment properties – net	**2,135,356**	1,519,884	1,503,628	599,325	530,672
Selling and marketing costs	**(500,091)**	(480,839)	(486,118)	(395,666)	(240,509)
Administrative expenses	**(895,081)**	(756,913)	(735,212)	(676,140)	(583,970)
Other income and gains/(losses) – net	**561,565**	9,857	(140,586)	(124,963)	95,370
Exchange (losses)/gains – net	**(3,391)**	2,343	(9,178)	4,721	(22,543)
Operating profit	**6,523,442**	5,072,473	4,054,387	2,190,249	1,834,202
Finance (costs)/income – net	**(572,618)**	(678,968)	(364,189)	(30,606)	121,023
Share of profit/(loss) of investments accounted for using the equity method	**197,359**	314,295	157,659	(709)	108,365
Profit before income tax	**6,148,483**	4,707,800	3,847,857	2,158,934	2,063,590
Income tax expenses	**(2,280,440)**	(1,958,596)	(1,512,768)	(651,340)	(663,414)
Profit for the year	**3,867,743**	2,749,204	2,335,089	1,507,594	1,400,176
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Revaluation gains on property and equipment and land use rights transferred to investment properties	**–**	–	–	149,379	–
Change in fair value of available-for-sale financial assets, net of tax	**30,193**	11,180	8,549	(259)	344
Currency translation differences	**(16,258)**	–	–	–	–
Total other comprehensive income for the year, net of tax	**13,935**	11,180	8,549	149,120	344
Total comprehensive income for the year	**3,881,678**	2,760,384	2,343,638	1,656,714	1,400,520
Profit/(loss) attributable to:					
Owners of the Company	**3,336,752**	2,464,682	2,071,110	1,370,828	1,403,536
Holders of Perpetual Capital Instruments	**117,017**	145,765	153,100	36,750	–
Non-controlling interests	**413,974**	138,757	110,879	100,016	(3,360)
	3,867,743	2,749,204	2,335,089	1,507,594	1,400,176
Total comprehensive income attributable to:					
Owners of the Company	**3,350,687**	2,475,862	2,079,659	1,519,948	1,403,880
Holders of Perpetual Capital Instruments	**117,017**	145,765	153,100	36,750	–
Non-controlling interests	**413,974**	138,757	110,879	100,016	(3,360)
	3,881,678	2,760,384	2,343,638	1,656,714	1,400,520
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)					
– Basic	**84.11**	62.32	52.41	34.56	35.00
– Diluted	**84.06**	62.22	52.32	34.54	34.98

	Year ended 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Proposal final dividends	**654,911**	572,014	301,397	252,278	–

* Certain figures have been reclassified to conform to the current presentation.

ANNUAL REPORT

POWERLONG 2017

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