POWERLONG
宝龙地产

ANNUAL REPORT 2018

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

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 114 real estate projects as at 31 December 2018. Powerlong Plaza, which comprises of shopping malls, restaurants, leisure and other recreational facilities, has embedded a unique business model drawing extensive attention and recognition from the government and the public. Each project not only promotes 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 "Honest, Modest, Innovative, Devoted" 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 (Deputy chief executive officer)

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 Communication Co., Ltd.
Agricultural Bank of China Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
Bank of China Limited
China Minsheng Banking Corp., Ltd.
China Everbright Bank Co., Ltd.
China CITIC Bank Corporation Limited
Hua Xia Bank Co., Limited
The Bank of East Asia Limited
Wing Lung Bank Limited

AUDITOR

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

HONG KONG LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com

MILESTONES AND AWARDS

1 JAN

- Successfully issued the HK$1.99 billion zero coupon convertible bonds due 2019
- Signed a strategic cooperation agreement with Country Garden Holdings Company Limited (碧桂園控股有限公司)

6 JUN

- Signed a strategic cooperation agreement with CIFI Holdings (Group) Co. Ltd. (旭輝控股(集團)有限公司)
- Super Species (超級物種) of Yonghui Superstores (永輝超市) opened a new store in Shanghai Qibao Powerlong City (上海七寶寶龍城)

4 APR

- Successfully issued the 6.95% USD350 million senior notes due 2021

9 SEP

- Grand opening of Xiamen Powerlong One Mall (廈門寶龍一城), the first ultra-high-end commercial complex
- Opening of Qingpu Powerlong Plaza (青浦寶龍廣場), our eighth shopping complex in Shanghai

12 DEC

- Commenced strategic cooperation with Tencent, releasing the 'New Commerce' plan to jointly launch our new smart business
- Opening of Wyndham Grand Plaza Royale Powerlong Fuyang (阜陽溫德姆寶龍至尊豪廷大酒店)

11 NOV

- Opening of Sichuan Jiangyou Powerlong Plaza (四川江油寶龍廣場), the third asset-light project of the Group

CORPORATE AWARDS

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

- 2018 China TOP 100 Real Estate Developers
- 2018 TOP 10 Brands of China Commercial Real Estate Companies
- 2018 TOP 10 Brands of China Commercial Real Estate – Powerlong Plaza
- 2017-2018 China Real Estate Developers with High Social Responsibility
- 2018 China Excellent Commercial Real Estate Developers
- 2018 China Excellent Listed Real Estate Company by Commercial Operation
- 2018 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by EVA (Economic Value Added)
- 2018 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Finance Stability
- 2018 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

- 2018 Best 10 of China Commercial Real Estate Developers with Comprehensive Strengths
- 2018 Best 50 of China Real Estate Developers
- 2018 Best 10 of China Real Estate Developers with Corporate Responsibility

Green Ranking

- 2018 Top 10 Chinese Green Property Operation Award
- 2018 Top 10 China Listed Real Estate Developers Green Credit Index

MEDIA AND OTHER SOCIAL ASSOCIATION AWARDS

- 2018 Quality and Innovative Commercial Complex — Xiamen Powerlong One Mall (awarded by Yicai)
- 2018 City Renewal Commercial Benchmarking Award – Xiamen Powerlong One Mall (awarded by Property Reporter)
- 2018 Outstanding Project in Comprehensive Operation – Xiamen Powerlong One Mall (awarded by people.cn)
- 2018 Integrator of an Innovative Commercial Operating Model – Xiamen Powerlong One Mall (awarded by Tencent)
- 40th Anniversary of Reform and Opening Up – Pioneer Award (awarded by Shanghai Nonlocal Enterprises Federation)
- 2018 Influential Real Estate Developers in China (awarded by Guardian)
- 2018 TOP30 of China Commercial Real Estate Developer with Operating Capability (awarded by Guardian)
- 2018 TOP100 of China Commercial Real Estate Developer (awarded by Guardian)
- the 8th anniversary (2018) China Commercial Real Estate Summit-Outstanding Enterprise (awarded by The Economic Observer)
- 2018 China Valuable Real Estate Awards — Valuable Real Estate Listed Companies of the Year (awarded by National Business Daily)
- 2018 China Valuable Real Estate Awards — Real Estate Corporate Citizenship of the Year (awarded by National Business Daily)
- 2018 Commercial Complex of the Year — Hangzhou Binjiang Powerlong City (awarded by The Times Weekly)

PERSONAL AWARDS RECEIVED BY MR. HOI KIN HONG

- 2018 Top 100 Contributors to the Real Estate Industry 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)

- Tribute to 40th Anniversary of China Reform and Opening Up – Top 40 in 40 Years in the Real Estate Industry in China (awarded by China Real Estate News)

PERSONAL AWARDS RECEIVED BY MR. HOI WA FONG

- 2018 Top 10 Gold-Medal CEO of China Real Estate Listed Companies (awarded by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Institute of Real Estate Studies, China Index Academy)
- China Commercial Real Estate Industry Outstanding Contribution Award (awarded by the 15th China Commercial Real Estate Summit)
- 2018 Annual Leaders in the Real Estate Industry in the PRC (awarded by China Real Estate News)
- 2018 Top 30 CEO in the Real Estate Industry in China (awarded by house.sina.com.cn)

CHAIRMAN'S STATEMENT

Facing the intense international competition, as a PRC enterprise, the Company strove to keep up its business growth rate and quality standards so as to stand aligned with the economic development of the country. The Group will be persistent in its pursuit of better performance.

HOI KIN HONG
Chairman

DEAR SHAREHOLDERS,

On behalf of the board (the "**Board**") of directors (the "**Director**") of the Company, I am pleased to present to all shareholders the audited annual results of the Group for the year ended 31 December 2018. Amidst the ongoing establishment of a long-term and effective mechanism in the real estate market and continuously tightened multi-level regulatory policies of the real estate market, the Group precisely comprehended the market trend and made substantial achievement in pushing ahead its strategic moves. 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 RMB19.6 billion and net profit of RMB3.6 billion, representing a year-on-year increase of approximately 25.7% and a year-on-year decrease of approximately 5.7%, respectively. Basic earnings per share was RMB71.0 cents. For the year ended 31 December 2018, the Board recommends the payment of a final dividend of HK$23.2 cents per ordinary share, together with the interim dividend of HK$6.8 cents per ordinary share for the six months ended 30 June 2018, the total dividend amounts to HK$30 cents per ordinary share, representing an increase of approximately 20.0% as compared with 2017.

CONTRACTED SALES HITTING ANOTHER RECORD HIGH

Contracted sales hit another record high in 2018, reaching RMB41.0 billion and a year-on-year growth of 96.5%.

As the Group actively responded to market changes developed tailored products based on the local conditions of different markets, and flexibly adjusted the sales strategies in different regions and for different projects to boost sales, there were a total of seven single projects reaching a contracted sales of more than RMB2 billion. For the residential projects, the Group's "369" development mode enhanced development efficiency and accelerated sales where an overall satisfactory result was achieved.

REMARKABLE RESULTS IN EXPANSION OF LAND BANK

The Group continued to adhere to the development strategy of "Focusing on Shanghai with Intensive Development in the Yangtze River Delta", and precisely lay out strategic plans and grasp the policy directions. Through strict compliance with the principle of value investment, the Group remained diversified in its land acquisition channels and increased 29 pieces of quality land parcels during the year under review.

As at 31 December 2018, the Group had 114 projects across China, including 76 projects in the Yangtze River Delta, accounting for 66.7% of the Group's portfolio nationwide. This was mainly attributable to the Group's precise planning in strategic key cities, value investment with reasonable costs, perseverance in diversified expansion and offerings, as well as extension in resource integration and strategic cooperation with leading enterprises in the industry.

As at 31 December 2018, the Group had a land bank amounting to a total gross floor area ("**GFA**") of approximately 21.2 million square meters, which is expected to be sufficient for the property development of the Group in the next three to five years. Currently, approximately two-thirds of the land bank of the Group is located in Yangtze River Delta Region. From the perspective of the geographical location of the Group's land bank, current land bank in the first-tier and second-tier cities represents an aggregate of 61.3% 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.

PROPERTY MANAGEMENT SERVICES GROWING AT A STEADY PACE

In 2018, the Group recorded rental income and income from Property Management Services (as hereinafter defined) of RMB2.2 billion, representing an increase of 24.7% over the previous 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. Two property projects, namely Xiamen Powerlong One Mall（廈門寶龍一城）and Shanghai Qingpu Powerlong Plaza（上海青浦寶龍廣場）, which are operated by the Group, commenced operation on 30 September 2018. Meanwhile, an asset-light project, namely Sichuan Jiangyou Powerlong Plaza（四川江油寶龍廣場）, also successfully commenced the operation on 30 November 2018.

As at 31 December 2018, the Group currently operated and managed 36 shopping malls and three asset-light projects, including eight projects in Shanghai and four projects in Hangzhou. The Group outperformed other industry players in terms of quantity and GFA of development projects while continuous effects have been put into the improvement in the output management capability of the commercial group. As one of the Company's quality benchmark projects, the customer flow of Xiamen Powerlong One Mall (廈門寶龍一城) reached 300,000 during the first two days of operation and more than 1.3 million during the National Day holiday period.

Having entered the commercial real estate industry for 15 years, the Group has been awarded TOP 10 Brands of China Commercial Real Estate Companies (中國商業地產公司品牌價值十強) for eight consecutive years. Powerlong Plazas operated by the Group have been awarded "TOP 10 Brands of China Commercial Real Estate Companies" (中國商業地產公司品牌價值十強) for nine consecutive years.

MAINTAINING LOW FINANCE COSTS

In optimizing the debt structure, the Group has diversified its financing channels in order to maintain the finance costs at a relatively low level. The consolidated finance costs of the Group increased slightly from 6.29% for 2017 to 6.48% for 2018, which was due to fluctuation of the capital market.

As at 31 December 2018, cash and cash equivalents and restricted cash of the Group amounted to RMB15.8 billion, of which the loan amount due within one year amounted to RMB14.7 billion, ensuring higher liquidity.

DEVELOPMENT OF FEATURED CHAIN HOTELS BUSINESS

After years of exploration, the Group's hotel business has adopted an approach by which the Group has the core businesses of international branded hotels and self-owned branded chain hotels. As at 31 December 2018, the Group owned and managed nine international branded hotels and eight self-owned branded chain hotels. While the Group successfully manages the traditional international branded hotels, it also determines to develop self-owned artistic hotels and to form its own branded chain features.

OUTLOOK

The year 2019 is the second year of the 19th National Congress. Looking ahead to the year 2019, continuous stability of monetary and financial policies, constant upward momentum of economic growth and long-term effective mechanism of real estate policies will produce a significant effect of regulation, hence employment conditions will remain favourable while the medium and long-term operational environment in the PRC real estate market will be gradually established.

High-quality and focused development is still the main theme for the PRC real estate industry. Faced with the new market opportunities ahead, the Group had adopted a policy of "Commencement and Progression", where sustainable development will be achieved and the Group's development will be uplifted to a new level, constantly consolidating and enhancing its position in the PRC real estate industry.

According to the current development trend of the real estate market in China, the Group will further increase its contracted sales target for 2019 to RMB50 billion. At the same time, the Group will optimize and standardize various management flows in order to further strengthen regulation and control over key progress milestones in property development and achieve comprehensive improvement on operation, management and quality. The development mode of "369" will be upgraded, and thus cash inflow in 2019 is expected to get accelerated. High turnover will remain as the Group's sales target. The Group will also continue to optimize its internal regulation and control and enhance its professional marketing capabilities and the sell-through rates.

Echoing the Chinese government's "integration of the Yangtze River Delta" policy, the Group will further step up its efforts and expand the geographical coverage of its land bank by adhering to the development layout of Yangtze River Delta which focuses on Shanghai. Through strengthening market tracking and research in key cities and regions, value investments and precise investment estimation, the Group will be able to increase its positioning capability of newly developed projects and formulate a precise geographical layout for its projects.

The year 2019 will be a year of continuing opening of Powerlong plazas. The Group will integrate its significant resources to ensure the opening of seven commercial plazas within 2019. The Group will reform to achieve breakthroughs and further enhancement of management. Meanwhile, the Group will uphold a customer-oriented policy in order to upgrade its service quality. By enhancing the commercial leasing capability, further improving the commercial asset management system and increasing returns on assets, the Group will continue to play a demonstrative role in perfecting its currently existing benchmark projects. At the same time, the Group will concentrate on commercial digitalization and enhancing information-based operational capability, where, for instance, it will deepen strategic cooperation with Tencent and refine its "New Commerce" plan.

The Group will continue to improve its artistic hotel operational model. The Group will constantly drive the management enhancement of its operating hotels, improve its services and enhance its operational efficiency. The Group will continue to build a self-operated artistic hotel brand.

The Group will continue to promote steady and safe financial regulation and control. It will control the overall debt scale, optimize its financing structure, constantly enhance its financing capabiling and lower its financing cost.

The Group will continue to proactively promote the parallel development of both talents and the enterprise, ensuring the achievement of professionalism, competency and cultural recognition. The Group will establish a platform and create opportunities for the career development of its staff and fully unleash their vibrancy.

The Board believes that "unity gathers strength which creates the future". The Group will stick to its targets, take up its responsibilities, share vision and work together without fear of future challenges, so as to turn the Group into an ambitious and well-respected benchmarking player in the PRC real estate industry with even larger success.

Hoi Kin Hong
Chairman

21 March 2019

OVERVIEW OF BUSINESS

Total GFA of approximately

38.5

million sq.m.

OVERVIEW

Property Development

As at 31 December 2018, the Group owned and operated 114 property development projects which are at different phases of development. The Group currently has 34 fully completed projects, among which 10 in Shanghai Municipality, 6 in Jiangsu Province, 3 in Zhejiang Province, 1 in Anhui Province, 6 in Shandong Province, 1 in Henan Province and 7 in Fujian Province. The Group had 80 projects under development or held for future development, among which 6 are located in Shanghai Municipality, 19 in Jiangsu Province, 30 in Zhejiang Province, 1 in Anhui Province, 1 in Hainan Province, 5 in Tianjin Municipality, 5 in Shandong Province, 2 in Henan Province, 1 in Chongqing Municipality, 1 in Sichuan Province and 9 in Fujian Province.

Property Investment

As at 31 December 2018, the Group held investment properties, mainly shopping malls, with a total GFA of approximately 4,817,380 square meters. These shopping malls are mainly located at Shanghai Municipality; Zhenjiang, Wuxi, Changzhou, Suqian and Yancheng in Jiangsu Province; Hangzhou and Ningbo in Zhejiang Province; Bengbu and Fuyang in Anhui Province; Yantai, Tai'an and Qingdao in Shandong Province; Chongqing Municipality; Fuzhou, Xiamen and Quanzhou in Fujian Province; and Zhengzhou, Luoyang and Xinxiang in Henan Province.

Property Management Services

The Group provides after-sales commercial operational and property management services to the projects developed by the Group. For commercial operational service, it includes market positioning and business tenant sourcing services, commercial operation and management services and other value-added services. For property management service, it includes pre-sale management service, property management service and community value-added services ("**Property Management Services**").

Hotel Development

The Group continued to develop its hotel business as a source of long-term recurring income, including the core businesses of international branded hotels and self-owned branded chain hotels. As at 31 December 2018, the Group owned and managed nine international branded hotels and eight self-owned branded chain hotels.

Asset-light Management

As at 31 December 2018, the Group managed three asset-light projects.

GFA (AS AT 31 DECEMBER 2018)

As at 31 December 2018, the development status of the property projects of the Group was as follows:

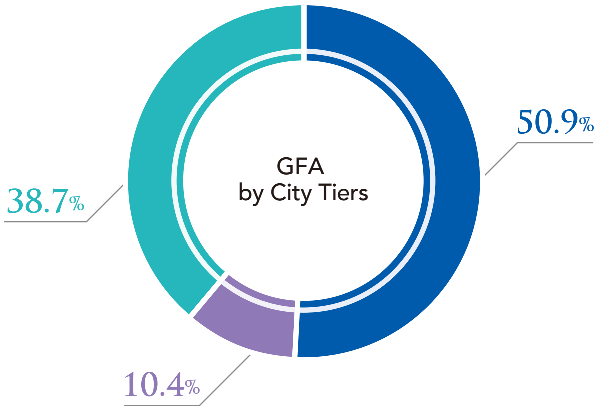
Province/ municipality	Project	Type	Total GFA ('000 sq.m)	Properties completed ('000 sq.m)	Properties under development ('000 sq.m)	Properties held for future development ('000 sq.m)
Shanghai Municipality	Shanghai Qibao Powerlong Plaza (上海七寶寶龍城)	Commercial	383	383	–	–
	Shanghai Jiuting Center (上海九亭中心)	Commercial	306	–	306	–
	Shanghai Wujing Minhang New Town Project (上海吳涇閔行新城項目)	Commercial	83	–	83	–
	Shanghai Wujing Powerlong Plaza (上海吳涇寶龍廣場)	Commercial	91	91	–	–
	Shanghai Yangpu District Huanchuang Centre (上海楊浦環創中心)	Commercial	175	–	175	–
	Shanghai Guozhan Powerlong City (上海國展寶龍城)	Commercial	406	–	406	–
	Shanghai Fengxian Powerlong Plaza (上海奉賢寶龍廣場)	Commercial	179	179	–	–
	Shanghai Baoshan Powerlong Plaza (上海寶山寶龍廣場)	Commercial	270	–	270	–
	Shanghai Qingpu Powerlong Plaza (上海青浦寶龍廣場)	Commercial	348	348	–	–
	Shanghai Lingang Powerlong Mansion (上海臨港寶龍世家)	Commercial/ Residential	85	85	–	–
	Shanghai Hongqiao Powerlong Land (上海虹橋寶龍天地)	Commercial/ Residential	309	309	–	–
	Shanghai Caolu Powerlong Plaza (上海曹路寶龍廣場)	Commercial	168	168	–	–
	Shanghai Jiading Powerlong Plaza (上海嘉定寶龍廣場)	Commercial	193	193	–	–
	Shanghai Luodian Powerlong Plaza (上海羅店寶龍廣場)	Commercial	36	36	–	–
	Shanghai Longhu Tianlang (上海龍湖天瑯)	Commercial	139	–	139	–
	Shanghai Lingang Powerlong Plaza (上海臨港寶龍廣場)	Commercial	87	87	–	–
Sub-total	16	–	3,258	1,879	1,379	–
Zhejiang Province	Ningbo Sanjiang Palace (寧波三江觀邸)	Residential	144	–	144	–
	Ningbo Fenghua Lot 3-08 Project (寧波奉化3-08地塊項目)	Residential	74	–	74	–
	Ningbo Fenghua Lot 1-18/21 Project (寧波奉化1-18/21地塊項目)	Residential	46	–	46	–
	Ningbo Fengyong New Town (寧波奉甬新城)	Commercial/ Residential	333	–	333	–
	Ningbo Powerlong Land (寧波寶龍天地)	Commercial/ Residential	63	–	63	–
	Ningbo Powerlong Mansion (寧波寶龍世家)	Residential	121	–	121	–
	Ningbo Powerlong City – Tianxi (寧波寶龍城 • 天璽)	Commercial/ Residential	547	–	–	547
	Ningbo Gaoxin Powerlong Plaza (寧波高新寶龍廣場)	Commercial/ Residential	351	–	351	–
	Ningbo New Long Island Garden (寧波新長島花園)	Residential	223	–	223	–
	Ningbo Yinzhou Powerlong Plaza (寧波鄞州寶龍廣場)	Commercial	134	–	134	–
	Ningbo Yuyao North Lot A-1 Project (寧波余姚北A-1地塊項目)	Commercial/ Residential	107	–	–	107
	Ningbo Yuyao North Lot A-2 Project (寧波余姚北A-2地塊項目)	Commercial/ Residential	131	–	–	131
	Zhoushan Dinghai Powerlong Plaza (舟山定海寶龍廣場)	Commercial/ Residential	91	–	91	–
	Zhoushan Harbour City (舟山海港城)	Commercial	324	–	324	–
	Zhoushan Putuo Project (舟山普陀項目)	Commercial/ Residential	221	–	221	–
	Hangzhou Xiasha Powerlong Plaza (杭州下沙寶龍廣場)	Commercial	357	357	–	–
	Hangzhou Dajiangdong Powerlong Plaza (杭州大江東寶龍廣場)	Commercial/ Residential	453	184	269	–
	Hangzhou Donghu City (杭州東湖城)	Commercial	279	–	279	–

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)
	Hangzhou Lin'an Powerlong Plaza (杭州臨安寶龍廣場)	Commercial/ Residential	386	–	386	–
	Hangzhou Lin'an Powerlong Xuhui City (杭州臨安寶龍旭輝城)	Commercial	514	–	514	–
	Hangzhou Chengxi Powerlong Plaza (杭州城西寶龍廣場)	Commercial	345	–	217	128
	Hangzhou Fuyang Powerlong Plaza (杭州富陽寶龍廣場)	Commercial	193	193	–	–
	Hangzhou Binjiang Powerlong City (杭州濱江寶龍城)	Commercial	397	190	207	–
	Hangzhou Xiaoshan Powerlong Plaza (杭州蕭山寶龍廣場)	Commercial	223	223	–	–
	Shaoxing Powerlong Mansion (紹興寶龍世家)	Commercial/ Residential	568	–	568	–
	Shaoxing Zhuji Project (紹興諸暨項目)	Commercial/ Residential	366	–	–	366
	Jinhua Yongkang Powerlong Plaza (金華永康寶龍廣場)	Commercial/ Residential	348	–	–	348
	Jinhua Yiwu Meide Powerlong Mansion (金華義烏美的寶龍世家)	Commercial/ Residential	285	–	285	–
	Jinhua Yiwu Lugang New District Lot 27 (金華義烏陸港新區27號地塊)	Commercial/ Residential	207	–	–	207
	Jinhua Yiwu Lugang New District Lot 34 (金華義烏陸港新區34號地塊)	Commercial/ Residential	287	–	–	287
	Wenzhou Powerlong Plaza (溫州寶龍廣場)	Commercial/ Residential	482	–	153	329
	Wenzhou Emerald World Project (溫州翡翠天地)	Residential	317	–	317	–
	Jiaxing Haining Jianshan Powerlong Mansion (嘉興海寧尖山寶龍世家)	Residential	118	–	–	118
Sub-total	33	–	9,035	1,147	5,320	2,568
Jiangsu Province	Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城)	Commercial/ Residential	346	346	–	–
	Wuxi Wangzhuang Powerlong Plaza (無錫旺莊寶龍城市廣場)	Commercial	287	287	–	–
	Wuxi Powerlong Mansion (無錫寶龍世家)	Commercial/ Residential	432	–	186	246
	Yangzhou Powerlong Plaza (揚州寶龍廣場)	Commercial/ Residential	231	231	–	–
	Nanjing Jiangning Jinmaoyue (南京江寧金茂悅)	Residential	292	–	141	151
	Nanjing Qixia Project (南京栖霞區項目)	Commercial/ Residential	388	–	8	380
	Nanjing Gaochun Longhua Life Plaza (南京高淳龍華生活廣場)	Commercial/ Residential	235	–	214	21
	Nanjing Gaochun Phase 2 Project (南京高淳二期項目)	Commercial/ Residential	141	–	–	141
	Nantong Tianbo Garden (南通天鉑花園)	Commercial/ Residential	469	–	469	–
	Xuzhou Fenghuang Yuanzhe (徐州鳳凰源著)	Residential	125	–	125	–
	Xuzhou Powerlong Palace (徐州寶龍觀邸)	Residential	155	–	155	–
	Xuzhou Fengxian Powerlong Mansion (徐州豐縣寶龍世家)	Commercial/ Residential	643	–	135	508
	Yancheng Powerlong Plaza (鹽城寶龍廣場)	Commercial/ Residential	495	495	–	–
	Yancheng Chengdong Powerlong Plaza (鹽城城東寶龍廣場)	Commercial/ Residential	480	4	73	403
	Suzhou Taicang Powerlong Plaza (蘇州太倉寶龍廣場)	Commercial/ Residential	288	266	–	22

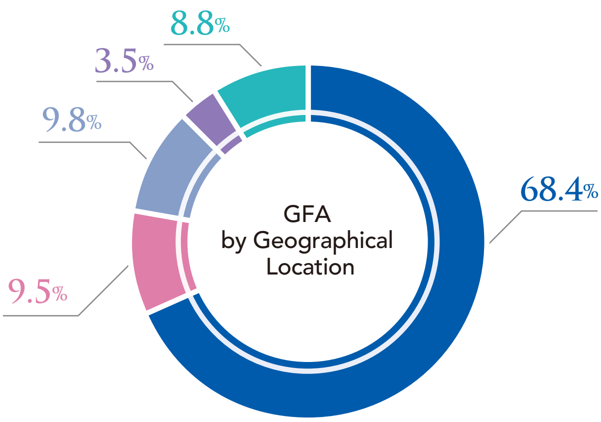
Province/ municipality	Project	Type	Total GFA ('000 sq.m)	Properties completed ('000 sq.m)	Properties under development ('000 sq.m)	Properties held for future development ('000 sq.m)
	Suzhou Bay Tianpo (蘇州蘇州灣天鉑)	Commercial/ Residential	367	–	367	–
	Suzhou Changshu Guli Project (蘇州常熟古裏項目)	Residential	174	–	36	138
	Suzhou Changshu Xinzhuang Project (蘇州常熟辛莊項目)	Residential	191	–	–	191
	Suqian Powerlong Plaza (宿遷寶龍廣場)	Commercial/ Residential	486	486	–	–
	Changzhou Powerlong Plaza (常州寶龍廣場)	Commercial/ Residential	1,057	637	–	420
	Huai'an Powerlong Land (淮安寶龍天地)	Commercial	153	32	–	121
	Huai'an Qingjiangpu Powerlong Mansion (淮安清江浦寶龍世家)	Commercial/ Residential	277	–	206	71
	Zhenjiang Powerlong Plaza (鎮江寶龍廣場)	Commercial	246	193	53	–
	Zhenjiang Powerlong International Garden (鎮江寶龍國際花園)	Residential	382	382	–	–
	Zhenjiang Yuefu (鎮江樾府)	Commercial/ Residential	236	–	236	–
Sub-total	25	–	8,576	3,359	2,404	2,813
Anhui Province	Fuyang Powerlong Plaza (阜陽寶龍廣場)	Commercial/ Residential	749	719	30	–
	Bengbu Powerlong Plaza (蚌埠寶龍廣場)	Commercial/ Residential	499	499	–	–
Sub-total	2	–	1,248	1,218	30	–
Fujian Province	Ningde Fuding Nanwan District Lot 905A Project (寧德福鼎南灣片區905A地塊項目)	Commercial/ Residential	177	–	–	177
	Ningde Fuding Nanwan District Lot 905B Project (寧德福鼎南灣片區905B地塊項目)	Commercial/ Residential	201	–	–	201
	Quanzhou Yongchun Powerlong Plaza (泉州永春寶龍廣場)	Residential	385	359	26	–
	Quanzhou Anxi Powerlong Plaza (泉州安溪寶龍廣場)	Commercial/ Residential	332	332	–	–
	Quanzhou Jinjiang Powerlong Plaza (泉州晉江寶龍廣場)	Commercial/ Residential	771	771	–	–
	Quanzhou Taitou Xinghe City (泉州台投星河城)	Commercial/ Residential	669	–	669	–
	Quanzhou Jinjiang Powerlong Mansion (泉州晉江寶龍世家)	Commercial/ Residential	159	–	159	–
	Quanzhou Jinjiang Xintang Changnan Project (泉州晉江新塘城南項目)	Commercial/ Residential	193	–	193	–
	Quanzhou Jinjiang Xintang Park Project (泉州晉江新塘園區項目)	Commercial/ Residential	346	–	346	–
	Quanzhou Jinjiang Powerlong Golden Jiayuan (泉州晉江寶龍金色家園)	Residential	144	144	–	–
	Quanzhou Anhai Powerlong Haoyuan (泉州安海寶龍豪苑)	Residential	54	54	–	–
	Xiamen Powerlong One Mall (廈門寶龍一城)	Commercial	383	301	82	–
	Xiamen Powerlong Lakeside Mansion (廈門寶龍禦湖官邸)	Commercial/ Residential	78	78	–	–
	Zhangzhou Yunjing Liji Powerlong Plaza (漳州雲景裏及寶龍廣場)	Commercial/ Residential	227	–	27	200
	Zhangzhou Yunxiao General Avenue No. 1 (漳州雲霄將軍一號)	Residential	111	111	–	–
	Fuzhou Powerlong Plaza (福州寶龍廣場)	Commercial	218	218	–	–
Sub-total	16	–	4,448	2,368	1,502	578

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)
Tianjin Municipality	Tianjin Yujiapu Powerlong International Center (天津于家堡寶龍國際中心)	Commercial/ Residential	362	257	105	–
	Tianjin North Green Area (天津北綠地地塊)	Commercial	110	–	–	110
	Tianjin Beitang Jiuli Qingchuan (天津北塘九裏晴川)	Residential	262	–	234	28
	Tianjin Powerlong City (天津寶龍城)	Commercial/ Residential	779	711	68	–
	Tianjin Yujing City (天津愉景城)	Residential	288	–	211	77
Sub-total	5	–	1,801	968	618	215
Shandong Province	Dongying Powerlong Plaza (東營寶龍廣場)	Commercial/ Residential	455	263	–	192
	Qingdao Jimo Powerlong Plaza (青島即墨寶龍廣場)	Commercial/ Residential	618	618	–	–
	Qingdao Licang Powerlong Plaza (青島李滄寶龍廣場)	Commercial/ Residential	369	369	–	–
	Qingdao Chengyang Powerlong Plaza (青島城陽寶龍廣場)	Commercial/ Residential	707	707	–	–
	Qingdao Jiaozhou Powerlong Art Villa (青島膠州寶龍大沽河藝術村)	Commercial/ Residential	258	125	37	96
	Qingdao Jiaozhou Powerlong Plaza (青島膠州寶龍廣場)	Commercial/ Residential	335	335	–	–
	Tai'an Powerlong Plaza (泰安寶龍廣場)	Commercial/ Residential	271	271	–	–
	Yantai Haiyang Powerlong Mansion (煙台海陽寶龍世家)	Commercial/ Residential	549	–	162	387
	Yantai Haiyang Powerlong City (煙台海陽寶龍城)	Commercial/ Residential	407	138	–	269
	Yantai Laishan Powerlong Plaza (煙台萊山寶龍廣場)	Commercial/ Residential	169	169	–	–
	Yantai Penglai Powerlong Plaza (煙台蓬萊寶龍廣場)	Commercial/ Residential	348	315	33	–
Sub-total	11	–	4,486	3,310	232	944
Hainan Province	Haikou Global 100 Powerlong City (海口環球100寶龍城)	Commercial/ Residential	2,039	168	725	1,146
Sub-total	1	–	2,039	168	725	1,146
Henan Province	Luoyang Powerlong Plaza (洛陽寶龍廣場)	Commercial/ Residential	1,364	1,184	173	7
	Zhengzhou Powerlong Plaza (鄭州寶龍廣場)	Commercial/ Residential	252	252	–	–
	Xinxiang Powerlong Plaza (新鄉寶龍廣場)	Commercial/ Residential	1,237	781	456	–
Sub-total	3	–	2,853	2,217	629	7
Sichun Province	Bazhong Powerlong Pavilion (巴中寶龍名邸)	Residential	172	82	–	90
Sub-total	1	–	172	82	–	90
Chonqing Municipality	Chongqing Hechuan Powerlong Plaza (重慶合川寶龍廣場)	Commercial/ Residential	621	613	8	–
Sub-total	1	–	621	613	8	–
Total	114	–	38,537	17,329	12,847	8,361

LAND BANK (AS AT 31 DECEMBER 2018)



City Tiers	GFA '000 square meters	Percentage %
First-Tier Cities	2,212	10.4
Second-Tier Cities	10,798	50.9
Third/Fourth-Tier Cities	8,198	38.7
Total	21,208	100



Geographical Location	GFA '000 square meters	Percentage %
Yangtze River Delta	14,514	68.4
Bohai Rim	2,009	9.5
West Strait Economic Zone	2,080	9.8
Central and Western Region	734	3.5
Hainan	1,871	8.8
Total	21,208	100

SHOPPING MALLS IN OPERATION

SHANGHAI

SHANGHAI QINGPU POWERLONG PLAZA

Shanghai Qingpu
Powerlong Plaza

Opening Date: September 2018

Operating Area: Approximately 61,000 square meters Note

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 67,000 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 24,000 square meters Note

Shanghai Fengxian
Powerlong Plaza

Opening Date: November 2015

Operating Area: Approximately 42,000 square meters Note

Shanghai Caolu
Powerlong Plaza

Opening Date: December 2013

Operating Area: Approximately 31,000 square meters Note

TIANJIN

TIANJIN YUJIAPU POWERLONG INTERNATIONAL CENTER

Tianjin Yujiapu
Powerlong International Center

Opening Date: December 2014

Operating Area: Approximately 34,000 square meters Note

Note: Underground parking spaces excluded.

SHOPPING MALLS IN OPERATION

JIANGSU PROVINCE

YANGZHOU POWERLONG PLAZA

Yangzhou
Powerlong Plaza

Opening Date:
January 2017

Operating Area:
Approximately
51,000
square meters Note

Changzhou
Powerlong Plaza

Opening Date:
June 2016

Operating Area:
Approximately
107,000
square meters Note

Zhenjiang
Powerlong Plaza

Opening Date:
September 2015

Operating Area:
Approximately
69,000
square meters Note

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
75,000
square meters Note

ANHUI PROVINCE

FUYANG POWERLONG PLAZA

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
186,000
square meters Note

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 39,000 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 76,000 square meters Note

Tai'an
Powerlong Plaza

Opening Date: September 2012

Operating Area: Approximately 43,000 square meters Note

Qingdao Jimo
Powerlong Plaza

Opening Date: December 2011

Operating Area: Approximately 118,000 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 190,000 square meters Note

FUJIAN PROVINCE

XIAMEN POWERLONG ONE MALL

Xiamen
Powerlong One Mall

Opening Date: September 2018

Operating Area: Approximately 125,000 square meters Note

Quanzhou Anxi
Powerlong Plaza

Opening Date: December 2010

Operating Area: Approximately 55,000 square meters Note

Jinjiang
Powerlong Plaza

Opening Date: December 2013

Operating Area: Approximately 120,000 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

Hangzhou Binjiang
Powerlong City

Opening Date: December 2016

Operating Area: Approximately 124,000 square meters Note

Hangzhou Fuyang
Powerlong Plaza

Opening Date: December 2015

Operating Area: Approximately 22,000 square meters Note

Hangzhou Xiaoshan
Powerlong Plaza

Opening Date: December 2015

Operating Area: Approximately 65,000 square meters Note

Hangzhou Xiasha
Powerlong Plaza

Opening Date: November 2014

Operating Area: Approximately 22,000 square meters Note

HENAN PROVINCE

LUOYANG POWERLONG PLAZA

Xinxiang
Powerlong Plaza

Opening Date: September 2012

Operating Area: Approximately 85,000 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

Note: Underground parking spaces excluded.

SHOPPING MALLS IN OPERATION

CHONGQING

CHONGQING HECHUAN POWERLONG PLAZA

Chongqing Hechuan
Powerlong Plaza

Opening Date: December 2014

Operating Area:
Approximately
74,000 square meters [Note]

Note: Underground parking spaces excluded.

HOTELS

SHANGHAI

ARTELS+ COLLECTION LINGANG 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

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

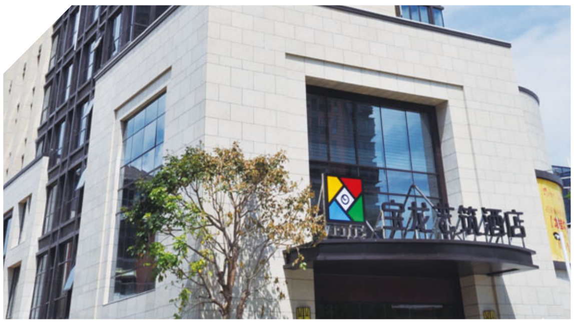
Radission Blu Shanghai Pudong Jinqiao

Opening Date: January 2016

Number of Rooms (Suites): 196

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

FUJIAN PROVINCE



ARTELS ANXI

ARTELS Anxi

Opening Date: September 2015

Number of Rooms (Suites): 98

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

JIANGSU PROVINCE

ARTELS+ HUAI'AN

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

ARTELS+ COLLECTION HECHUAN CHONGQING

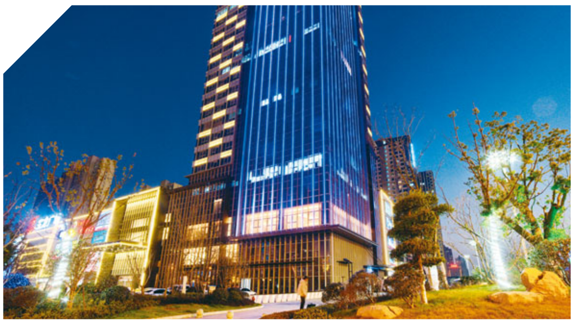
ARTELS+ Collection Hechuan Chongqing

Opening Date: May 2018

Number of Rooms (Suites): 184

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

ANHUI PROVINCE



WYNDHAM GRAND PLAZA ROYALE POWERLONG FUYANG

Wyndham Grand Plaza Royale Powerlong Fuyang

Opening Date: December 2018

Number of Rooms (Suites): 178

Address:
No. 1000 intersection between Fuwang Road and Huaihe Road Yingzhou District, Fuyang Anhui Province, China

SHANDONG PROVINCE

FOUR POINTS BY SHERATON QINGDAO, CHENGYANG

ARTELS Qingdao

Opening Date: December 2011

Number of Rooms (Suites): 170

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

Aloft Haiyang

Opening Date: June 2011

Number of Rooms (Suites): 145

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

Four Points by Sheraton Qingdao, Chengyang

Opening Date: February 2011

Number of Rooms (Suites): 303

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

Four Points by Sheraton Tai'an

Opening Date: December 2010

Number of Rooms (Suites): 300

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

ZHEJIANG PROVINCE


JUNTELS BINJIANG HANGZHOU

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

MANAGEMENT DISCUSSION AND ANALYSIS

2019, a better year,
starts from the present!

HOI WA FONG
CEO

BUSINESS REVIEW

For the year ended 31 December 2018, 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 as the main revenue stream of the Group.

Property Development

For the year ended 31 December 2018, the contracted sales of the Group together with its associates and joint ventures amounted to approximately Renminbi ("**RMB**") 41,036 million (2017: approximately RMB20,882 million), representing an increase of approximately 96.5% as compared with the corresponding period in 2017. In 2018, the contracted sales area of the Group together with its associates and joint ventures amounted to 2,821,607 square meters (2017: 1,561,962 square meters), representing an increase of approximately 80.6% as compared with the corresponding period in 2017.

The Group's contracted sales for the year ended 31 December 2018 continued to hit a record high. During the year under review, the key contributing projects (including subsidiaries, joint ventures and associates) were located in Hangzhou, Ningbo, Shanghai, Haikou, Shaoxing, Wenzhou and Nantong. There was overwhelmingly positive response for these projects from the market, attributable to the various efforts made by the Group where, among other things, the Group actively responded to market changes, developed tailored products with reference to the conditions of different local markets, flexibly adjusted the sales strategies for different regions and for different projects, and accelerated sales. There were seven single projects reaching contracted sales of more than RMB2 billion. For the residential projects, the Group's "369" development mode helped enhance its development efficiency and accelerate its sales where an overall satisfactory result was achieved.

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

Distribution	For the year ended 31 December 2018 Sales area sq.m.	Sales amount RMB'000	Average selling price RMB/sq.m.
Commercial	495,675	8,150,507	16,443
Residential	2,325,932	32,885,658	14,139
Total	2,821,607	41,036,165	14,544

During the year under review, we adopted a proactive and creative sales model where direct sales and marketing were utilized in parallel which led to an increase in the project sell-through rate at sales launch. The high-profile client department enhanced maintenance of the Group's relationships with its customers where a significant amount of sales were realized.

Property 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 2018, the Group had an aggregate gross floor area ("**GFA**") of approximately 4,817,380 square meters (2017: approximately 4,345,577 square meters) held as investment properties (including properties completed and under construction), representing an increase of approximately 10.9% as compared with 2017.

During the year under review, the Group has completed a number of project commencement missions. Two property projects, namely Xiamen Powerlong One Mall (廈門寶龍一城) and Shanghai Qingpu Powerlong Plaza (上海青浦寶龍廣場), which are operated by the Group, commenced operation on 30 September 2018. Meanwhile, an asset-light project, namely Sichuan Jiangyou Powerlong Plaza (四川江油寶龍廣場) also successfully commenced operation on 30 November 2018.

As one of the Company's quality benchmark projects, Xiamen Powerlong One Mall (廈門寶龍一城) is the first of its kind to be embodied with six business segments, including a shopping centre as its core, a star-rated hotel, an office building, high-end apartments, boutique SOHO and an art centre. Its customer flow reached 300,000 during the first two days of operation and more than 1.3 million during the National Day holiday period. Sichuan Jiangyou Powerlong Plaza (四川江油寶龍廣場), which is the third asset-light project of the Group as well as the first one-stop shopping mall in Jiangyou (江油), had a customer flow of 220,000 on the first day of operation and 550,000 for the first three days of operation. The outstanding performance achieved by the Group's newly operated projects is an overall indication of the core business competitiveness of the Group.

As at 31 December 2018, the number of shopping malls currently operated and managed by the Group reached 36, while the Group also managed three asset-light projects, outperforming other industry players in terms of quantity and area of projects. Benefiting from the further optimization of the business operating institutions, the establishment of three major regional operation centres and the streamlined management functions of regional operation centres, the Group's overall management capability continued to become maturer.

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 branded hotels and self-owned branded chain hotels.

As at 31 December 2018, the Group owned nine international branded 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), Wyndham Grand Plaza Royale Powerlong Fuyang (阜陽寶龍溫德姆至尊豪廷大酒店), and owned and managed eight self-owned branded chain hotels, namely ARTELS Qingdao (青島寶龍藝築酒店), ARTELS Anxi (安溪寶龍藝築酒店), ARTELS+ Huaian Jiangsu (江蘇淮安藝悦酒店), ARTELS+ Fuyang Hangzhou (杭州富陽藝悦酒店), ARTELS+ Collection Lingang Shanghai (上海臨港藝悦精選酒店), ARTELS+ Collection Hechuan Chongqing (重慶合川藝悦精選酒店), ARTELS+ Wujing Shanghai (上海吳涇藝悦酒店) and JUNTELS Binjiang Hangzhou (杭州濱江藝珺酒店).

During the year under review, the Group was committed to developing its self-owned branded artistic hotels with three major product lines, while successfully managing its traditional international branded hotels. The Group had gradually established a unique self-owned branded hotel chain to explore the integration of the hotel operation industry 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 property 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", and to precisely lay out strategic plans and grasp the policy directions. Through strict compliance with 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 2018, the Group had a quality land bank amounting to a total GFA of approximately 21.2 million square meters, of which approximately 12.8 million square meters were properties under development and construction and approximately 8.4 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-thirds of the land bank of the Group is located in the Yangtze River Delta region.

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

Newly acquired land parcels in 2018 (as at 31 December 2018)

Name of project	Usage	Site area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Nanjing Lot G71 Project (南京G71地塊項目)	Residential	87	216.6	30.0%
Yongkang City Jiefang Street Commercial and Residential Project (永康市解放街商住地塊項目)	Commercial & residential	69	218.5	28.7%
Xuzhou Feng County Beihuan Road Project (徐州豐縣北環路地塊項目)	Commercial & residential	196	490.7	100.0%
Zhenjiang Runzhou Tanshan Road Project (鎮江潤州檀山路地塊項目)	Commercial & residential	56	180.3	34.0%
Yiwu Fotangjiangbin Phase 1 Lot 1# Project (義烏佛堂江濱一期1#地塊項目)	Commercial & residential	84	185.4	50.0%
Ningbo-Fenghua Rail Transit Jinhailu Station Terminal Project (寧奉城際鐵路金海路站客運中心地塊項目)	Commercial & residential	46	189.0	82.0%
Yancheng Development Project (鹽城開發項目)	Commercial & residential	186	334.9	65.0%
Huai'an Qingjiangpu Project (淮安清江浦項目)	Commercial & residential	96	216.7	100.0%
Wenzhou Jade World (溫州翡翠天地)	Residential	56	223.6	13.1%

Name of project	Usage	Site area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Ningbo Yinzhou Xincheng Shounan Section Lot YZ08-09-15 Project (寧波市鄞州新城區首南地段YZ08-09-15地塊項目)	Commercial & residential	121	361.0	82.0%
Zhoushan Yancang Lot DH-41-01-11, DH-41-01-14 Project (舟山鹽倉DH-41-01-11、DH-41-01-14地塊項目)	Commercial & residential	33	63.0	82.0%
Nanjing Gaochun Phase II (南京高淳二期)	Commercial & residential	39	117.9	82.0%
Zhangzhou Longwen Lantian Project (漳州龍文藍田項目)	Commercial & residential	69	178.1	32.8%
Wenzhou Airport New District Project (溫州空港新區地塊項目)	Commercial & residential	191	344.3	100.0%
Quanzhou Taiwanese Investment Zone Lot S2017-06 Project (泉州台商投資區S2017-06地塊項目)	Commercial & residential	186	482.4	27.1%
Jinjiang Xintang Park Lot P2017-22 Project (晉江新塘園區P2017-22地塊項目)	Commercial & residential	90	268.6	30.0%
Changshu Lot 2018B-010 (常熟2018B-010地塊)	Residential	69	138.3	50.0%
Changshu Guli Town Lot 2018B-015 Project (常熟古裡鎮2018B-015地塊項目)	Residential	67	133.2	95.0%
Ningbo Yuyao North Lot A-1 (寧波余姚北A-1地塊)	Commercial & residential	38	76.6	95.0%
Ningbo Yuyao North Lot A-2 (寧波余姚北A-2地塊)	Commercial & residential	42	83.1	95.0%
Ningbo-Fenghua Rail Transit Jinhailu Station Lot 3-08 Project (寧奉城際鐵路金海路站3-08地塊項目)	Residential	22	55.5	77.9%
Jianshan New District, Haining No. 18147 Lot Project (海寧18147號尖山新區地塊項目)	Residential	66	92.0	100.0%
Ningde Fuding Nanwan District Lot 905A Project (寧德福鼎南灣片區905A地塊項目)	Commercial & residential	45	136.4	52.2%
Ningde Fuding Nanwan District Lot 905B Project (寧德福鼎南灣片區905B地塊項目)	Commercial & residential	51	152.1	52.2%
Zhuji Chengxi Business District Lot Project (諸暨城西商務區地塊項目)	Commercial & residential	111	255.5	95.0%
Jinjiang Xintangyuan Lot 2018-20 Project (晉江新塘園2018-20地塊項目)	Commercial & residential	65	150.3	95.0%

Name of project	Usage	Site area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Ningbo-Fenghua Rail Transit Jinhailu Station Lot 1-18/21 Project (寧奉城際鐵路金海路站1-18/21地塊項目)	Residential	19	34.2	77.9%
Yiwu International Lugang Logistics Park Lot 1-27 Project (義烏國際陸港物流園1-27地塊項目)	Commercial & residential	82	147.0	65.0%
Yiwu International Lugang Logistics Park Lot 1-34 Project (義烏國際陸港物流園1-34地塊項目)	Commercial & residential	106	211.5	35.0%
Total		2,388	5,736.7	

* Total GFA excludes underground and car parking spaces.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises revenue from property sales, rental income from investment properties, income from Property Management Services and income from other property development related services. For the year ended 31 December 2018, the Group recorded a total revenue of approximately RMB19,594 million (2017: approximately RMB15,593 million), representing an increase of approximately 25.7% as compared with the corresponding period in 2017. This was attributable to the increase in income from each of the Group's business segments.

Revenue from Property Sales

During the year under review, the Group strictly complied with its original schedule for the completion and delivery of the corresponding projects. The revenue from property sales for the year ended 31 December 2018 amounted to approximately RMB16,667 million (2017: approximately RMB13,302 million), representing an increase of approximately 25.3% as compared with the corresponding period in 2017. This was mainly attributable to the increase in the sales of residential properties.

Set forth below are the details regarding the revenue from property sales during the year under review:

Geographical Location		For the year ended 31 December 2018		
		GFA (sq.m.)	Amount (RMB'000)	Average selling price (RMB/sq.m.)
Yangtze River Delta	Commercial	267,673	3,636,458	13,585
	Residential	469,542	6,607,513	14,072
Bohai Rim	Commercial	96,967	1,130,500	11,659
	Residential	14,555	144,760	9,946
Central and Western Region	Commercial	93,075	699,116	7,511
	Residential	163,817	862,458	5,265
West Strait Economic Zone	Commercial	80,966	1,039,691	12,841
	Residential	72,011	574,642	7,980
Others	Residential	162,112	1,972,277	12,166
	Total	1,420,718	16,667,415	11,732
	Commercial	538,681	6,505,765	12,077
	Residential	882,037	10,161,650	11,521

Rental Income from Investment Properties and Income from Property Management Services

For the year ended 31 December 2018, the Group recorded rental income from investment properties of approximately RMB1,124 million (2017: approximately RMB856 million), representing an increase of approximately 31.3% as compared with the corresponding period in 2017.

For the year ended 31 December 2018, income from Property Management Services was mainly generated from the provision of Property Management Services and rental assistance services for projects developed by the Group. The net income after elimination of intra-group transactions amounted to approximately RMB1,125 million (2017: approximately RMB948 million), representing an increase of approximately 18.7% as compared with the corresponding period in 2017.

For the year ended 31 December 2018, rental income from investment properties and income from Property Management Services fee amounted to approximately RMB2,249 million (2017: approximately RMB1,804 million), representing an increase of approximately 24.7% as compared with the corresponding period in 2017. In addition to the economies of scale brought by the increasing GFA of properties held and commercial and residential properties managed by the Group, the Group managed to match the local consumer demand and the Group's market penetration rate was increased as a result of the continuous enhancement of its commercial operating capability.

Income from Other Property Development Related Services
Income from other property development related services mainly comprises income from hotel operation, and the provision of construction and decoration services. For the year ended 31 December 2018, the Group recorded an income from other property development related services of approximately RMB678 million (2017: approximately RMB487 million), representing an increase of approximately 39.2% as compared with the corresponding period in 2017. 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 decoration costs as well as other costs. Cost of sales for the year ended 31 December 2018 increased by approximately 16.1% to approximately RMB12,041 million (2017: approximately RMB10,368 million) as compared with 2017, which was mainly due to the increase in the GFA of revenue recognised, leading to an increase in the total cost.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2018, gross profit increased by approximately 44.6% to approximately RMB7,553 million (2017: approximately RMB5,225 million) as compared with the corresponding period in 2017. Gross profit margin amounted to 38.5%, representing an increase of approximately 5 percentage points as compared with the corresponding period in 2017.

Fair Value Gains on Investment Properties

For the year ended 31 December 2018, the Group recorded revaluation gains of approximately RMB2,501 million (2017: approximately RMB2,135 million), representing an increase of approximately 17.1% as compared with the corresponding period in 2017. The revaluation gains were mainly attributable 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 2018 amounted to approximately RMB2,267 million (2017: approximately RMB1,395 million), representing an increase of approximately 62.5% over 2017, mainly attributable to the growth in the Group's business, leading to an expansion in the scale of sales and projects management. The Group will continue to exercise stringent control over expenses and costs whilst striving to continue with the Group's business expansion.

Share of Profit of Investments Accounted for Using the Equity Method

For the year ended 31 December 2018, share of post-tax profit of investments accounted for using the equity method amounted to approximately RMB187 million (2017: approximately RMB197 million), representing a decrease of approximately 5.1% as compared with the corresponding period in 2017. The decrease was mainly due to a decrease in profit from joint ventures.

Income Tax Expenses

Income tax expenses amounted to approximately RMB3,166 million (2017: approximately RMB2,280 million) for the year ended 31 December 2018, representing an increase of approximately 38.9% as compared with the corresponding period in 2017, primarily due to the increase of PRC corporate income tax and PRC land appreciation tax.

Profit Attributable to Owners of the Company

For the year ended 31 December 2018, the Group recorded profit attributable to owners of the Company of approximately RMB2,837 million (2017: approximately RMB3,337 million), representing a decrease of approximately 15.0% as compared with the corresponding period in 2017.

For the year ended 31 December 2018, basic earnings per share was approximately RMB71.0 cents (2017: approximately RMB84.1 cents), representing a decrease of approximately 15.6% as compared with the corresponding period in 2017.

Core profits (being the profit excluding the fair value gains on investment properties and foreign exchange gains and losses on financing activities during the year under review) for the year ended 31 December 2018 reached approximately RMB2,579 million (2017: approximately RMB1,907 million), representing an increase of approximately 35.2% as compared with the corresponding period in 2017.

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 for investment in property development.

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB15,776 million in total as at 31 December 2018 (2017: approximately RMB9,962 million), representing an increase of approximately 58.4% as compared with the end of 2017.

Borrowings

Total borrowings of the Group as at 31 December 2018 was approximately RMB49,102 million (2017: approximately RMB35,536 million), representing an increase of approximately 38.2% as compared with the end of 2017. The Group's borrowings comprise bank and other borrowings of approximately RMB30,327 million, corporate bonds of approximately RMB9,202 million, short-term commercial papers of approximately RMB300 million, senior notes of approximately RMB7,529 million and convertible bonds of approximately RMB1,744 million.

Out of the total borrowings, approximately RMB14,722 million was repayable within one year, while approximately RMB34,380 million was repayable after one year.

On 13 February 2018, the Company issued zero coupon guaranteed convertible bonds with an aggregate principal amount of HK$1,990,000,000. The maturity date of the convertible bonds is 11 February 2019. The bondholder has the right to convert the convertible bonds into ordinary shares of HK$0.01 each of the Company at any time starting from 41 days after the closing date to seven days before the maturity date at an initial conversion price of HK$5.4463 per share. Please refer to the announcements of the Company dated 30 January 2018 and 19 February 2018 for further details. This convertible Bonds were subsequently fully redeemed on 11 February 2019.

On 17 April 2018, the Company completed the issuance of USD350 million senior notes at a price equivalent to 99.204% of the principal amount, with a nominal interest rate of 6.95% per annum and a maturity date of 17 April 2021. Please refer to the announcements of the Company dated 10 April 2018 and 18 April 2018 for further details.

On 18 April 2018, the Company as the borrower and Tai Fung Bank Limited as the lender entered into a facility agreement (the "**Term Loan Facility Agreement**") in relation to a HK$200,000,000 three-year term loan facility (the "**Term Loan Facility**"). Pursuant to the Term Loan Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, to (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40% of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the Term Loan Facility are set out in the announcement of the Company dated 18 April 2018.

On 26 April 2018, Shanghai Powerlong Industrial Development Co., Ltd., (上海寶龍實業發展(集團)有限公司) a wholly-owned subsidiary of the Company, issued the first tranche of super short-term commercial paper for the year 2018 in an aggregate amount of RMB300 million, with a nominal interest rate of 6.25% per annum and a maturity date of 22 January 2019. Please refer to the announcement of the Company dated 27 April 2018 for further details.

On 5 July 2018, the Company as the borrower, The Hongkong and Shanghai Banking Corporation Limited as the mandated lead arranger, the bookrunner and the agent (the "**Agent**"), The Bank of East Asia Limited and Tai Fung Bank Limited each as the mandated lead arranger, and other parties thereto, entered into a facility agreement (the "**Facility Agreement**") in relation to a 42-month term loan facility in an amount up to US$305,000,000 (which includes an accordion feature) or the equivalent amount in other currencies (the "**Term Loan Facility**"). Pursuant to the Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40% of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the Term Loan Facility are set out in the announcement of the Company dated 5 July 2018.

On 8 August 2018, the Company entered into a purchase agreement with Merrill Lynch (Asia Pacific) Limited, Credit Suisse (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, and other parties thereto, in relation to the issuance of the USD250 million senior notes at an issue price equivalent to 94.702% of the principal amount, with a nominal interest rate of 5.95% per annum (to be consolidated and form a single series with the US$300 million 5.95% senior notes due 2020) and a maturity date of 19 July 2020. Please refer to the announcements of the Company dated 8 August 2018, 9 August 2018 and 20 August 2018 for further details.

Net Gearing Ratio

As at 31 December 2018, the Group had a net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of approximately 101.6% (31 December 2017: approximately 86.8%).

Borrowing Cost

Total interest expenses as at 31 December 2018 amounted to approximately RMB2,958 million (2017: approximately RMB2,023 million), representing an increase of approximately 46.2% as compared with the end of 2017. The increase was mainly due to the increase in total borrowings during the year. The effective interest rate increased slightly from 6.29% for 2017 to 6.48% for 2018, 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 sale and leasing of properties. Receivables in relation to sale and leasing of properties are therefore settled in accordance with the terms stipulated in the sale and purchase agreements and lease agreements, respectively.

Pledge of Assets

As at 31 December 2018, 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 RMB56,291 million (2017: approximately RMB33,590 million) to secure borrowings of the Group. The total secured borrowings as at 31 December 2018 amounted to approximately RMB30,167 million (2017: approximately RMB18,423 million). The senior notes issued by the Group were guaranteed by the Group's certain non-PRC subsidiaries and non-PRC joint ventures and secured by shares pledges of such non-PRC subsidiaries and non-PRC joint ventures.

Contingent Liabilities

As at 31 December 2018, the Group had no significant contingent liabilities.

Financial Guarantees

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**15,662,393**	11,378,429
Guarantees for borrowings of joint ventures	**822,500**	1,519,000
	16,484,893	12,897,429

Commitments

(1) Commitments for property development expenditures

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Contracted but not provided for		
– Property development activities	**7,663,384**	4,132,025
– Acquisition of land use rights	**1,311,565**	46,660
	8,974,949	4,178,685

(2) *Operating leases commitments*

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within one year	**58,789**	5,249
Later than one year and not later than five years	**54,573**	965
Later than five years	**7,000**	–
	120,362	6,214

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 RMB. As at 31 December 2018, the Group's financial assets or liabilities denominated in currencies other than RMB were mainly borrowings denominated in United States dollars or Hong Kong dollars, in the net amount of approximately RMB13,041 million. Any depreciation of RMB would adversely affect the value of any dividends the Group pays to its shareholders outside of the PRC. The Group currently does not engage in any 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 2018, the Group did not have any material acquisition or disposal of subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Directors confirmed that as at the date of this report, there are no current plans to acquire any material investment or capital assets other than in the Group's ordinary business of property development.

EMPLOYEES AND EMOLUMENT POLICY

For the year ended 31 December 2018, the Group employed a total of 11,042 employees (2017: 9,718 employees) on full time basis. The total staff costs of the Group for the year under review amounted to approximately RMB1,405 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 remuneration 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.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

HOI Kin Hong, aged 67, 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 then. 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 (中國最具影響力企業家), China Celebrities Achievement Award "10 Outstanding Masters" (中華名人成就獎「十大傑出名人」), Top 30 People in motivating Chinese Economy over the 30 years of China's reformation (中國改革開放30年感動中國經濟30人), the Outstanding Leader in the Commercial Real Estate Industry in China (中國商業地產傑出領袖人物), China Top 100 Real Estate Entrepreneurs (中國房地產百強企業家), Contributor of China Top 100 Real Estate Entrepreneurs (中國房地產百強企業家貢獻人物), Charity Special Contribution Award of China (中國公益事業特別貢獻獎), Award for Excellence in the 20th Anniversary of China Guangcai Program Outstanding Contribution Award (光彩事業20周年突出貢獻獎) and Top 10 People for commerce and community in Fujian (閩商公益十大人物) and "Tribute to 40th Anniversary of China Reform and Opening Up, Top 40 in 40 Years in the Real Estate Industry in China" (致敬中國改革開放40週年中國房地產40年40人時代人物). 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 41, 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, the vice chairman of China Real Estate Chamber of Commerce, the vice-chairman of the Fujian Youth Federation and the chairman of the World Jinjiang Youth Association. He graduated from the school of management of Xiamen University and received an EMBA degree 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 of various Group companies including vice general manager, general manager, vice president, chief vice president and chief executive officer. He was awarded Annual Leaders in the Real Estate Industry in the PRC, Most Influential People in the Real Estate Industry in the PRC, Outstanding Individual Among Returned Overseas Chinese and Family Members, Top 10 Gold-Medal CEO of China Real Estate Listed Companies (中國房地產上市公司十大金牌CEO), Top 30 CEO in the Real Estate Industry in China (中國地產年度CEO 30強) and China Commercial Real Estate Industry Outstanding Contribution Award (中國商業地產行業傑出貢獻獎) 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 70, 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 38, is an executive Director of the Company. Ms. Shih is responsible for the overall strategy of commercial operation of the Group. Ms. Shih graduated from Central of the Company 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 the general manager of the finance department. In November 2007, she held the positions of an executive Director, the general manager of the supervision department and the cost control centre. She has been directing the strategy management 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 51, is an executive Director, an executive vice president and the 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), a 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 Group, 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 43, 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 57, is an independent non-executive Director, the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited), a specialty company secretarial, corporate governance and compliance services provider. 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), a member of the Working Group on Professional Services under the Economic Development Commission appointed by the Chief Executive of the Hong Kong Special Administrative Region (2013–2018), and a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants (2013–2018). He is a member of the General Committee of the Chamber of Hong Kong Listed Companies and the Finance Expert Consultant appointed by the Ministry of Finance of the PRC in 2016. 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, 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, 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 holds a doctoral degree in finance from Shanghai University of Finance and Economics, a master's degree in corporate finance from Hong Kong Polytechnic University, a bachelor honor degree in laws from University of Wolverhampton in the United Kingdom and a master's degree in business administration from Andrews University of Michigan in the United States respectively.

Mr. Ngai was an independent non-executive director of China Coal Energy Company Limited, China Railway Group Limited and HKBridge Financial Holdings Limited (formerly known as China HKBridge Holdings Limited).

MEI Jian Ping, aged 59, 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. He has published a number of books and articles on topics related to finance. Mr. Mei received a bachelor's degree in mathematics from Fudan University in 1982, a master's 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 46, is an independent non-executive Director. He is the executive director and chief executive officer of E-House (China) Enterprise Holdings Limited (HK Stock Code: 2048). Save for 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 was an independent director of Sanxiang Co., Ltd (三湘股份有限公司) (SZ stock code: 000863). 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 committee member of CPPCC of Shanghai (上海市政協委員). 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 55, 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" (財政部新理財CFO2012年度人物獎), "2013 China's Financial Value Leadership Award" (2013年度中國財務價值領軍人物獎), "2014 Huazun Award – Top 10 most Respected Brand Builders who promoted the economic development of the industry" (2014年華尊獎－推動行業經濟發展最受尊敬十大品牌人物),"2015 CFODC – China's Top 10 Capital Operators" (2015年CFO發展中心中國資本運營TOP10人物) and "2017 Asia 10 Brand Innovation Personality Award" (2017亞洲十大創新人物獎) awarded by the Asia Brand Ceremony Committee. He joined the Company in August 2009.

HUA Li Chong, aged 47, is the deputy chief executive officer of the Company. He is responsible for overseeing the operation management centre, the cost control centre and the technology research and development centre. Prior to joining the Company, he served management positions in various large-scale enterprises, where he was the assistant general manager of Shanghai Vanke, the general manager of Nanjing Vanke, a vice president of CFLD Real Estate Group (華夏幸福地產集團) and an executive vice president of China ZhongChong Property Group Co., Ltd. (中崇地產集團有限公司). He obtained a bachelor's degree in civil engineering from Southeast University and a master's degree in business administration from Fudan University. He joined the Company in November 2017.

HONG Qun Feng, aged 46, is the vice president of the Company, being responsible for the overall business development as well as operation and management of Powerlong Land business division. Prior to joining the Group, 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), the 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 degree and a master's degree in senior management from SEM of Tongji University. He joined the Company in 2005.

LV Cui Hua, aged 43, is a vice president and the general manager of business division 1 of the Company, being responsible for the overall business as well as operation and 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 the person-in-charge of the contract department of CapitaLand China (凱德置地(中國)). Ms. Lv received an EMBA degree from Tongji University. She joined the Company in May 2010.

ZHANG Jun, aged 42, is a vice president and the general manager of Zhejiang business division of the Company and is responsible for overall business as well as operation and management of the division. He served as the chief executive officer of Boee Real Estate Group Co., Ltd. (保億置業集團有限公司) and an assistant to president of Shanghai Forte Land Company Limited (復地(集團)股份有限公司) and a general manager of its subsidiary in Hangzhou company. He obtained a master's degree in business administration from Zhejiang University. He joined the Company in June 2016 and was the vice general manager of Powerlong Land business division, responsible for project development and land acquisition.

HUANG Yao Ming, aged 45, 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. Prior to joining the Company, he served senior positions of investment, expansion and management in various large-scale enterprises, where 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 a China Certified Real Estate Appraiser. He joined the Company in March 2010.

SHEN Jian Zheng, aged 50, is a vice president and general manager of the marketing management centre of the Company and is responsible for the overall marketing control of the Company. Prior to joining the Company, he served senior marketing management positions in various large-scale enterprises, where 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 from Xiamen University. He joined the Company in August 2007.

XIA Guo Yue, aged 57, is the general manager of the hotel business of the Company and is responsible for overall hotel construction and operation control of the Company. Prior to joining the Company, he served senior management positions in various large-scale enterprises, where 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 a bachelor's degree in tourism from Zhejiang University, and was accredited as the Certified Hotel Administrator (CHA) by the American Hotel & Lodging Association (AHLA). He is a lecturer of tourism and management in Zhejiang University School of Management, the executive vice chairman of Hospitality Asset Managers Association China (HAMA), an 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 45, 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 18 years of extensive experience in company secretarial, capital operation, compliance, information disclosure and investor relations fields. She holds a master's degree in finance from 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 is pleased to present this Corporate Governance Report for the year ended 31 December 2018.

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 2018, 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 2018, 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 2018 and up to the date of this report, the Board consisted 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 2018 is set out as follows:

	Attendance/ Number of Board meetings held during the year	Attendance/ Number of general meetings held during the year
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 2018 to 13 October 2021. 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 2018 to 13 October 2021.

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 shareholders 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 2018 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 2018 and were 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 the 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 2018, the Company had offered professional training to Directors by way of seminar. The training is summarized as follows:

Title of seminar:	Recent Regulatory Development in the Securities Market in Hong Kong
Date of seminar:	10 December 2018
Presenter:	Mr. Poon Chiu Kwok, Executive Director, Vice-president and Company Secretary of Huabao International Holdings Limited
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 had complied with the required standard as set out in the Model Code throughout the year ended 31 December 2018.

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 2018, 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 2018, 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 2018 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 2018, 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 2018 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.

The nomination committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the nomination committee will then be put to the Board for decision.

During the year ended 31 December 2018, 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 2018 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.

At the same time, the Company established a supervisory department (that is internal control department of the Company) particularly responsible for risk management, review and audit of the finance and operation of the Company and its subsidiaries regularly. The purpose of this work of the department is to ensure the normal operation of internal controls and the playing of its due role. For shortcomings of the Group's internal controls and accounting procedures which the external auditors has identified and reported to the Company, the Company would pay full attention to the recommendations made by the external auditors and make appropriate improvements.

The supervisory department of the Company reports to the audit committee and the Board annually based on the implementation of internal controls. The audit committee monitors the risk management and internal control systems of the Group and reports to the Board for any material matters and makes recommendations to the Board.

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 2018. 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.

The remuneration committee was set up for reviewing the Group's emolument policy and structure for remuneration for all the Directors and senior management of the Group, which were determined having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

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 2018 is set out as below:

Annual remuneration by band	Number of individuals
RMB800,001 and above	12
RMB600,001 to RMB800,000	1
RMB600,000 and below	4

Details of the remuneration of the Directors for the year ended 31 December 2018 are set out in note 43 to the financial statements. No Director has waived or has agreed to waive any emoluments during the year ended 31 December 2018.

During the years ended 31 December 2018, no director or any of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office. Also, the Group did not pay consideration to any third parties for making available directors' services during the year.

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 2018 is set out in the section headed "Independent Auditor's Report" in this annual report.

For the year ended 31 December 2018, 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.

Services rendered	(RMB' million)
Audit services:	
Annual audit (including Hong Kong Standard on Review Engagements 2410 review on interim results)	5.6
Non-audit services:	
Services rendered in respect of bonds issuance by the Group	2.35

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 the 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 of the Board will propose separate resolutions for each issue to be considered at the annual general meetings. 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 of the Board. Poll 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 or via e-mail at the e-mail address of the Company at boardteam@powerlong.com.

- 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 three 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.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018, 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 2018, the Company was invited to participate in seventeen Asian forums and conferences held by various investment banks and financial institutions meeting more than 500 investors. Investor relations activities not only are 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 2018:

January:	UBS Greater China Seminar
April:	BNP Paribas Property Corporate Day
April:	UBS 2018 HK/China Property Conference
May:	GUOTAI JUNAN International 2018 New Economic Summit Forum
June:	Huatai Securities Mid-2018 Investment Strategy Meeting
June:	HSBC 2nd Annual Asia Credit Conference
June:	Maybank Kim EngInvest Asia London 2018
June:	Citi's Asia Pacific Property Conference 2018
September:	2018 Hong Kong Stock Listed Companies Investment Summit and Investor Collective Reception Day
October:	BAML Asia High Yield Credit Conference
November:	Jefferies 8th Annual Greater China Conference
November:	13th Citi China Investor Conference
November:	2018 Gelonghui Overseas Investment Carnival Series Summit (Shanghai)
December:	2019 ShenwanHongyuan Overseas Listed Companies Investment Summit
December:	Essence Securities 2019 Investment Strategy Forum
December:	2018 Gelonghui Overseas Investment Carnival Series Summit (Shenzhen)
December:	2018 Gelonghui Overseas Investment Carnival Series Summit (Beijing)

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:	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 2018.

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 40 to the consolidated financial statements.

RESULTS

The business review and financial review of the Group for the year ended 31 December 2018 are set out in the sections of "Management Discussion and Analysis" of this annual report.

The results of the Group for the year ended 31 December 2018 are set out on pages 70 to 170 of this annual report.

FINAL DIVIDEND

At the Board meeting held on 21 March 2019, the Board recommends the payment of a final dividend of HK$23.2 cents per ordinary share for the year ended 31 December 2018. The final dividend is subject to the approval by shareholders of the Company at the annual general meeting to be held on Tuesday, 18 June 2019 (the "**Annual General Meeting**"). The final dividend, if approved by the shareholders, will be paid on or around Wednesday, 10 July 2019 to the shareholders whose names appear on the register of members of the Company on Friday, 28 June 2019.

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 Monday, 24 June 2019.

Together with the interim dividend of HK$6.8 cents per ordinary share for the six months ended 30 June 2018 and paid on 15 November 2018, the total dividend for the year of 2018 amounts to HK$30 cents per ordinary share.

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

DIVIDEND POLICY

Any declaration of dividends will depend upon a number of factors including our earnings and financial conditions, operation requirements, capital requirements and any other conditions that any other Directors may deem or are relevant and will be subject to the approval of our shareholders of the Company. There can be no assurance that dividends of any amount will be declared or distributed in any given year.

RESERVES

Details of movement in the reserves of the Group and the Company for the year ended 31 December 2018 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 2018, the reserves of the Company available for distribution were approximately RMB853 million (2017: RMB1,817 million).

SHARE CAPITAL

Details of movements in the share capital of the Group during the year under review are set out in note 20 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is 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 2018 are set out in note 23 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 11 of this annual report. Description of possible risks and uncertainties facing the Company is set out in the Management Discussion and Analysis on pages 27 to 39 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year ended 31 December 2018 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 had 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 satisfies 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 developing 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 (Deputy chief executive officer)

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. Xiao Qing Ping, Ms. Shih Sze Ni and Ms. Hoi Wa Fan 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 2018 to 13 October 2021. 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 2018 to 13 October 2021. 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 39 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.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities.

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 (廈門寶龍大酒店) and Jinjiang Powerlong Hotel (晉江寶龍大酒店). 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 2018, 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 had 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 2018 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 2018, no options had been granted under the Share Option Scheme.

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

As at 31 December 2018, 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

	Number of ordinary shares				
Name of Directors	Personal interests	Interests of spouse	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	590,468,000 (Note 3)	599,959,400	15.01%
Mr. Xiao Qing Ping	811,700	–	–	811,700	0.02%
Ms. Shih Sze Ni	503,400	599,456,000	–	599,959,400	15.01%
Mr. Zhang Hong Feng	184,300	–	–	184,300	0.01%
Ms. Hoi Wa Fan	61,470,000	–	203,106,000 (Note 4)	264,576,000	6.62%

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 2018.

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 owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of The Sky Infinity Trust.

4. These shares are held by Walong Holdings Limited and Mantong (HK) Trading Co., Ltd, which are wholly and beneficially owned by Ms. Hoi Wa Fan.

Saved as disclosed above, as at 31 December 2018, 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 2018, 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	590,468,000	14.77%
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 2018.

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

4. Sky Infinity Holdings Limited is owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of The Sky Infinity Trust.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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 controlling shareholder had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

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

Neither the Company nor any of its subsidiaries had 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 39 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, for which the requirements under Chapter 14A have been complied with.

Continuing Connected Transactions

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 Pingan was owned as to 80% by Mr. Cai Guo Liang. Mr. Cai Guo Liang is a relative of Mr. Hoi Wa Fong, an executive Director and a substantial shareholder of the Company. By virtue of Mr. Cai Guo Liang's interest in Fujian Pingan, Fujian Pingan is therefore an associate of Mr. Hoi Wa Fong and hence a connected person at the listed issuer level of the Company under the Listing Rules.

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 2018 was RMB31,531,000, which was within the annual cap.

As the 2016 Security Service Agreement expired on 31 December 2018, the Company and Fujian Pingan entered into the 2019 Security Service Agreement on 27 December 2018 to renew the framework for the provision of such services for a term of three years commencing from 1 January 2019 to 31 December 2021 (both days inclusive) (the "**2019 Security Service Agreement**"). Pursuant to 2019 Security Service Agreement, it is expected that the transaction amounts of the Group for each of the three financial years ending 31 December 2021 will not exceed RMB150,000,000, RMB180,000,000 and RMB200,000,000 respectively. Details of the 2019 Security Service Agreement is set out in the announcement of the Company dated 27 December 2018.

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.

Facility Agreement dated 18 April 2018

On 18 April 2018, the Company as borrower and Tai Fung Bank Limited as lender entered into a facility agreement (the "**Term Loan Facility Agreement**") in relation to a 3-year term loan facility amounting to HK$200,000,000 (the "**Term Loan Facility**"). Pursuant to the Term Loan Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, to (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40%. of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the Term Loan Facility are set out in the announcement of the Company dated 18 April 2018.

Facility Agreement dated 5 July 2018

On 5 July 2018, the Company as borrower, The Hongkong and Shanghai Banking Corporation Limited as the mandated lead arranger, the bookrunner and the agent, The Bank of East Asia Limited and Tai Fung Bank Limited each as the mandated lead arranger entered into a facility agreement (the "**2018 Facility Agreement**") in relation to a 42-month term loan facility in an amount up to US$305,000,000 (which includes an accordion feature) or the equivalent amount in other currencies (the "**2018 Facility**"). Pursuant to the 2018 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40% of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the 2018 Facility Agreement are set out in the announcement of the Company dated 5 July 2018.

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 2018, the Company had complied with all applicable code provisions in CG Code. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 45 to 54 of this annual report. The Company will continue to review and monitor its corporate governance practices to ensure compliance with CG Code.

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 2018 and up to the date of this annual report, the Company had maintained a sufficient public float of more than 25% of the Company's total number of issued shares as required under the Listing Rules.

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 2018 amounted to RMB239,567,000 (2017: RMB58,778,000).

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 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, 21 March 2019

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 170, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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KEY AUDIT MATTERS

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

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

- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to notes 4 and 8 to the consolidated financial statements The Group's investment properties are stated at fair value. As at 31 December 2018, the Group's investment properties amounted to RMB45.7 billion, which represents 35% of the Group's total assets, and the fair value gains on investment properties for the year ended 31 December 2018 amounted to RMB2.5 billion. Independent external valuations were obtained for certain of 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 estimates and 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 Group's consolidated financial statements and there is critical judgement involved in determining the critical estimates and assumptions 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 estimates and assumptions applied in the valuations, including term yields and reversionary yields, fair market rents and fair market prices. We compared 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 estimates and assumptions used in the valuation of investment properties were supported by the available evidences.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2019

CONSOLIDATED BALANCE SHEET

	Note	31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	**3,370,562**	3,528,545
Land use rights	7	**1,181,965**	1,059,237
Investment properties	8	**45,659,136**	39,217,669
Investments accounted for using the equity method	16	**4,127,443**	4,187,143
Deferred income tax assets	25	**499,343**	367,842
Financial assets at fair value through other comprehensive income ("**FVOCI**")	2.2,15	**348,461**	–
Available-for-sale financial assets	2.2,15	**–**	462,507
Prepayments	13	**–**	1,207,135
		55,186,910	50,030,078
Current assets			
Properties under development	9	**32,350,267**	10,344,885
Completed properties held for sale	10	**9,442,602**	10,416,531
Contract assets		**6,967**	–
Trade receivables	11	**1,519,989**	1,457,457
Other receivables	12	**14,732,697**	8,735,727
Prepayments	13	**2,014,617**	4,149,405
Prepaid taxes		**727,215**	365,417
Financial assets at fair value through profit or loss ("**FVPL**")	14	**297,565**	28,953
Restricted cash	18	**935,935**	575,538
Cash and cash equivalents	19	**14,839,776**	9,386,757
		76,867,630	45,460,670
Total assets		**132,054,540**	95,490,748
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	20	**1,164,125**	2,066,162
Other reserves	21	**681,076**	656,982
Retained earnings		**25,442,263**	22,614,113
		27,287,464	25,337,257
Perpetual Capital Instruments	22	**1,552,254**	1,722,363
Non-controlling interests		**3,965,222**	2,414,569
Total equity		**32,804,940**	29,474,189

	Note	31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	**34,380,408**	25,780,008
Other payables	26	**206,007**	–
Deferred income tax liabilities	25	**6,130,190**	4,733,771
		40,716,605	30,513,779
Current liabilities			
Trade and other payables	26	**20,725,848**	17,208,103
Advances from customers		**–**	3,818,693
Contract liabilities	27	**16,444,184**	–
Current income tax liabilities	28	**6,642,105**	4,720,124
Borrowings	23	**12,977,220**	9,755,860
Convertible bonds	24	**1,743,638**	–
		58,532,995	35,502,780
Total liabilities		**99,249,600**	66,016,559
Total equity and liabilities		**132,054,540**	95,490,748

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

The financial statements on pages 70 to 170 were approved by the Board of Directors on 21 March 2019 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2018 RMB'000**	2017 RMB'000
Revenue	5	**19,593,790**	15,592,641
Cost of sales	29	**(12,041,179)**	(10,367,557)
Gross profit		**7,552,611**	5,225,084
Fair value gains on investment properties – net	8	**2,500,520**	2,135,356
Selling and marketing costs	29	**(785,914)**	(500,091)
Administrative expenses	29	**(1,480,700)**	(895,081)
Other income and gains – net	31	**216,369**	558,174
Operating profit		**8,002,886**	6,523,442
Finance costs – net	32	**(1,376,659)**	(572,618)
Share of profit of investments accounted for using the equity method	16	**187,234**	197,359
Profit before income tax		**6,813,461**	6,148,183
Income tax expense	33	**(3,165,812)**	(2,280,440)
Profit for the year		**3,647,649**	3,867,743
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	21	**–**	30,193
Currency translation differences	21	**15,079**	(16,258)
Items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	21	**158**	–
Total other comprehensive income for the year, net of tax		**15,237**	13,935
Total comprehensive income for the year		**3,662,886**	3,881,678
Profit attributable to:			
Owners of the Company		**2,837,007**	3,336,752
Holders of Perpetual Capital Instruments		**123,045**	117,017
Non-controlling interests		**687,597**	413,974
		3,647,649	3,867,743
Total comprehensive income attributable to:			
Owners of the Company		**2,852,244**	3,350,687
Holders of Perpetual Capital Instruments		**123,045**	117,017
Non-controlling interests		**687,597**	413,974
		3,662,886	3,881,678
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)	34		
– Basic		**70.973**	84.108
– Diluted		**66.397**	84.064

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 20)	Other reserves RMB'000 (Note 21)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 22)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2018							
Balance at 31 December 2017 as originally presented	2,066,162	656,982	22,614,113	25,337,257	1,722,363	2,414,569	29,474,189
Adjustment on adoption of HKFRS 9, net of tax (Note 2.2)	–	(30,193)	30,193	–	–	–	–
Balance at 1 January 2018	2,066,162	626,789	22,644,306	25,337,257	1,722,363	2,414,569	29,474,189
Comprehensive income:							
Profit for the year	–	–	2,837,007	2,837,007	123,045	687,597	3,647,649
Other comprehensive income for the year							
– Changes in the value of financial assets at fair value through other comprehensive income	–	158	–	158	–	–	158
– Currency translation differences	–	15,079	–	15,079	–	–	15,079
Total comprehensive income for the year	–	15,237	2,837,007	2,852,244	123,045	687,597	3,662,886
Transactions with owners:							
Dividends	(902,037)	–	–	(902,037)	–	–	(902,037)
Issuance of Perpetual Capital Instruments	–	–	–	–	546,000	–	546,000
Redemption of Perpetual Capital Instruments	–	–	–	–	(690,400)	–	(690,400)
Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(148,754)	–	(148,754)
Capital contribution from non-controlling interests	–	–	–	–	–	270,607	270,607
Change from joint ventures to subsidiaries (Note 41)	–	–	–	–	–	592,939	592,939
Disposal of a subsidiary	–	–	–	–	–	(490)	(490)
Total transactions with owners	(902,037)	–	–	(902,037)	(293,154)	863,056	(332,135)
Appropriation to statutory reserves	–	39,050	(39,050)	–	–	–	–
Balance at 31 December 2018	1,164,125	681,076	25,442,263	27,287,464	1,552,254	3,965,222	32,804,940

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 20)	Other reserves RMB'000 (Note 21)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 22)	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	–	–	–	–	–	39,993	39,993
Change from joint ventures to subsidiaries	–	–	–	–	–	568,772	568,772
Disposal of a subsidiary	–	–	–	–	–	(48,214)	(48,214)
Changes in ownership interests in subsidiaries without change of control	–	(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

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 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	36	**4,923,291**	4,304,111
PRC corporate income tax paid		**(628,469)**	(657,556)
PRC land appreciation tax paid		**(526,644)**	(374,807)
Interest paid		**(2,682,671)**	(1,951,827)
Cash generated from operating activities – net		**1,085,507**	1,319,921
Cash flows from investing activities			
Cash acquired from change of joint ventures to subsidiaries		**137,705**	99,984
Net cash outflow in disposal of a subsidiary		**(370)**	(2,283)
Purchases of property and equipment		**(130,333)**	(516,009)
Purchases of land use rights		**(155,845)**	(3,439)
Payments for investment properties		**(2,883,003)**	(1,217,105)
Proceeds from disposal of equipment		**2,489**	278
Purchases of available-for-sale financial assets		**–**	(9,000)
Purchases of financial assets at fair value through other comprehensive income		**(6,000)**	–
Purchase of financial assets at fair value through profit or loss		**(140,611)**	–
Prepayments for equity investments		**–**	(1,207,135)
Investments in joint ventures and associates		**(367,014)**	(759,635)
Proceeds from disposal of investment properties		**28,380**	45,713
Cash advances made to parties controlled by ultimate controlling shareholder		**(19,815)**	–
Cash advances made to joint ventures and associates		**(6,270,868)**	(5,563,774)
Collection of cash advances from joint ventures and associates		**899,346**	783,385
Collection of cash advances from other related parties		**19,815**	–
Proceeds from disposal of a joint venture		**–**	1,520
Dividend received from financial assets at fair value through profit or loss		**1,586**	1,949
Interest received		**166,947**	158,931
Cash used in investing activities – net		**(8,717,591)**	(8,186,620)

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Capital contribution from non-controlling interests		**270,607**	238,300
Proceeds from borrowings		**19,820,561**	13,479,974
Repayments of borrowings		**(8,912,979)**	(9,608,587)
Proceeds from corporate bonds		**994,850**	994,340
Repayments of corporate bonds		**(3,327,697)**	(2,039,455)
Proceeds from senior notes		**3,774,996**	2,998,395
Redemption of senior notes		**(2,501,839)**	(752,049)
Proceeds from convertible bonds		**1,609,433**	–
Proceeds from short-term commercial papers		**300,000**	–
Settlement of derivative financial instruments		**–**	(38,480)
Termination of share award scheme		**–**	109,400
Restricted cash (pledged for)/released from borrowings		**(212,789)**	325,064
Cash advances from parties controlled by ultimate controlling shareholders		**251,613**	233,644
Cash advances from joint ventures and associates		**3,011,531**	3,066,747
Repayments of cash advances to parties controlled by ultimate controlling shareholders		**(241,932)**	–
Repayments of cash advances to joint ventures and associates		**(564,083)**	(657,952)
Dividends paid to owners of the Company		**(902,037)**	(735,023)
Changes in ownership interests in subsidiaries without change of control		**–**	(200,000)
Distribution to holders of Perpetual Capital Instruments		**(148,754)**	(115,129)
Redemption of Perpetual Capital Instruments		**(690,400)**	(1,171,100)
Proceeds from issuance of Perpetual Capital Instruments		**546,000**	1,161,500
Cash generated from financing activities – net		**13,077,081**	7,289,589
Net increase in cash and cash equivalents		**5,444,997**	422,890
Cash and cash equivalents at beginning of the year	19	**9,386,757**	8,973,804
Effect of foreign exchange rate changes		**8,022**	(9,937)
Cash and cash equivalents at end of the year	19	**14,839,776**	9,386,757

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 services 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 21 March 2019.

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 HKFRSs and HKCO*

These consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") 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 financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which are carried at fair value.

(iii) *New and amended standards and interpretation adopted by the Group*

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Annual Improvements	Annual Improvements 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Insurance Contract Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers to Investment Property
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration

Save for the impact of adoption of HKFRS 9 and HKFRS 15 set out in Note 2.2, the adoption of other new and amended standards and interpretation did not have any material impact on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) New standards, amendments and interpretation not yet adopted

The following new standards, *amendments* and interpretation and amendments to standards have been published that are not mandatory for the year ended 31 December 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16	Lease	1 January 2019
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements	Annual Improvements to HKFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out in Note 2.1(a).

(a) 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.

The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of RMB120,362,000 (Note 38), of which approximately RMB58,789,000 are related to short-term leases and RMB61,573,000 are related to low value leases which will both be recognised on a straight-line basis as expense in profit or loss. The Group considered them to be immaterial to the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) New standards, amendments and interpretation not yet adopted (continued)

(a) HKFRS 16, 'Leases' (continued)

The Group's activities as a lessor are significant as the Group has several investment properties to rent. However, HKFRS 16 has not much impact on lessor and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts on the Group's financial statements and the new accounting policies that have been first applied from 1 January 2018.

As explained in Note 2.2(a) and 2.2(b), HKFRS 9 and HKFRS 15 were adopted by the Group without restating comparative information. As a result of the changes in the Group's accounting policies certain reclassifications and adjustments are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Consolidated balance sheet (extract)	31 December 2017 As originally presented RMB'000	HKFRS 9 RMB'000	HKFRS 15 RMB'000	**1 January 2018 Restated RMB'000**
Non-current assets				
FVOCI	–	342,250	–	**342,250**
Available-for-sale financial assets (Note 2.2(a))	462,507	(462,507)	–	**–**
Current assets				
FVPL (Note 2.2(a))	28,953	120,257	–	**149,210**
Current liabilities				
Advances from customers	3,818,693	–	(3,818,693)	**–**
Contract liabilities	–	–	3,818,693	**3,818,693**
Equity				
Retained earnings	22,614,113	30,193	–	**22,644,306**
Other reserves	656,982	(30,193)	–	**626,789**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(a) *Adoption of HKFRS 9*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 by the Group from 1 January 2018 resulted in changes in accounting policies and classification of financial assets. In accordance with the transitional provisions in HKFRS 9, comparative figures of the Group have not been restated. The new accounting policies are set out in Note 2.11 below.

The effects of the adoption of HKFRS 9 are as follows:

Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 measurement categories including those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and those to be measured at amortised cost.

Reclassification from AFS to FVPL and FVOCI

The Group held certain equity investments in unlisted companies totalling RMB462,507,000 which were classified as available-for-sale financial assets as at 31 December 2017. Included in this investment portfolio, there was an investment of RMB120,257,000 made to a real estate agency company which got listed in the Stock Exchange in July 2018. The Group might not hold this investment for long-term and thus has classified it as financial assets at fair value through profit or loss as at 1 January 2018 and the corresponding accumulated fair value gain of this investment amounting to RMB30,193,000 was reclassified from other reserves to retained earnings as at 1 January 2018. The other investments totalling RMB342,250,000 were classified as financial assets at fair value through other comprehensive income as at 1 January 2018 because these investments were held as long-term strategic investments that were not expected to be sold in the short to medium term.

Impairment of financial assets

The Group has two types of financial assets measured at amortised cost that are subject to new expected credit loss model of HKFRS 9 either on a 12-month basis or a lifetime basis:

- Trade receivables and contract assets
- Other receivables

The Group revised its impairment methodology under HKFRS 9 for each of these classes of assets.

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(a) *Adoption of HKFRS 9 (continued)*

Impairment of financial assets (continued)

(i) Trade receivables and contract assets

The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables and contract assets.

(ii) Other receivables

The Group applied general approach and recorded either 12-month expected credit losses or lifetime expected credit losses on its other receivables.

(b) *Adoption of HKFRS 15*

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. The new accounting policies are set out in Note 2.15 and 2.26 below.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, referred to as open contracts, thus the comparative figures have not been restated.

The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities

Contract liabilities for progress billing recognised in relation to property development activities were previously presented as advances from customers.

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, when the properties that have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the input method for measuring progress.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(b) Adoption of HKFRS 15 (continued)

Accounting for property development activities (continued)

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract assets.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised facilities or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

Management has assessed the current sale agreements used by the Group in accordance with HKFRS 15 and is of the view that the criteria for recognising revenue over time are not met for the majority of the sales of properties.

2.3 Subsidiaries

2.3.1 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)

2.3 Subsidiaries (continued)

2.3.1 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 profit or loss.

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)

2.3 Subsidiaries (continued)

2.3.2 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.

2.4 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)

2.5 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 identifiable assets and liabilities of the joint venture 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.

2.6 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.

2.7 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation (continued)

(b) *Transactions and balances (continued)*

Changes in the fair value of debt securities denominated in foreign currency classified as fair value through other comprehensive income 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 fair value through other comprehensive income, 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)

2.8 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 2.10).

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 2.10).

2.9 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)

2.9 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)

2.9 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.

2.10 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.

2.11 Financial assets

2.11.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group categories its debt instruments as amortised cost, which are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(b) Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss accounts. Dividends from such investments continue to be recognised in profit or loss accounts as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised as 'Other income and gains – net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11.3 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 11 for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.3 Impairment (continued)

Impairment on other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11.4 Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 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.

(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 2.16).

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.4 Accounting policies applied until 31 December 2017 (continued)

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 profit or loss. 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 profit or loss 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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.4 Accounting policies applied until 31 December 2017 (continued)

Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

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.

(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 profit or loss.

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 profit or loss on equity instruments are not reversed through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 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.

2.13 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 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 receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.15 Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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 profit or loss 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowings and borrowing costs (continued)

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.

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.

2.21 Convertible bonds

Convertible bonds issued by the Company includes debt, early redemption option and conversion option components.

At the date of issue, the debt, early redemption option and conversion option components are recognised at fair value. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The early redemption option and conversion option components are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt, early redemption option and conversion option components in proportion to their relative fair values. Transaction costs relating to the early redemption option and conversion option components are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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 and its 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax (continued)

(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.

2.23 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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 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 profit or loss, 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.

2.25 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Provisions and contingent liabilities (continued)

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.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and rendering of services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

(a) *Sales of properties*

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the asset 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 asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

In determine the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition (continued)

(a) *Sales of properties (continued)*

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(b) *Investment and operation of commercial properties*

Revenues from investment and operation of commercial properties mainly include property lease income and revenues from hotel operations.

Property lease income

Property lease income from properties letting under operating leases is recognised on a straight line basis over the term of the lease.

Hotel operations

Revenues from hotel operations are recognised in the accounting period in which the related services are rendered.

(c) *Property management services*

Revenues from rendering of property management services are recognised in the accounting period in which the related services are rendered.

Financial components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.27 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 31 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI (2017 – other receivables and available-for-sale) calculated using the effective interest method is recognised in the consolidated statement of comprehensive income within 'Other income and gains-net'.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI) (2017 – from financial assets at FVPL and available-for-sale financial assets). Dividends are recognised as other income in profit or loss when the right to receive payment is established.

2.29 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.

2.30 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.

2.31 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Financial guarantee contracts (continued)

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's 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 2018, major non-RMB assets and liabilities are cash and cash equivalents, restricted cash, FVOCI, FVPL, other payables, borrowings and convertible bonds, 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	
	2018 RMB'000	2017 RMB'000
Financial assets		
– HK$	**568,455**	511,695
– US$	**61,151**	188,933
	629,606	700,628
Financial liabilities		
– HK$	**4,216,332**	878,556
– US$	**9,454,330**	7,834,720
	13,670,662	8,713,276

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	
	2018	2017
	RMB'000	RMB'000
Increase/(decrease) in profit for the year:		
5% strengthened in RMB against the relevant currencies		
– HK$	**182,394**	18,343
– US$	**469,659**	382,289
	652,053	400,632
5% weakened in RMB against the relevant currencies		
– HK$	**(182,394)**	(18,343)
– US$	**(469,659)**	(382,289)
	(652,053)	(400,632)

(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 2018, long-term borrowings of the Group bearing floating interest rates amounted to approximately RMB19,617,127,000 (2017: RMB10,318,081,000). If interest rates on borrowings at floating rates as at 31 December 2018 had been 50 basis point higher/lower with all other variables held constant, interest charges for the year would increase/decrease by RMB98,086,000 (2017: RMB51,590,000), 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 financial assets at FVOCI and financial assets at FVPL 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 2018 would increase/decrease by approximately RMB14,878,000 (2017: increase/decrease by approximately RMB1,448,000), 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 RMB13,067,000 higher/lower (2017: RMB17,344,000 higher/lower).

(b) Credit risk

The Group is exposed to credit risk in relation to its contract assets, trade and other receivables and cash deposits with banks. The carrying amounts of contract assets, trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash transactions are limited to high-credit-quality institutions. Deposits are only placed with reputable banks.

For trade receivables and contract assets 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 37.

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)

(b) *Credit risk (continued)*

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the expected credit losses of trade receivables and contract assets, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days of initial recognition.

The expected loss rate of contract assets is assessed to be low and no loss allowance provision is made for contract assets during the period. The loss allowance provision of trade receivables as at 31 December 2018 is set out in Note 11.

(ii) Other receivables

Other financial assets at amortised cost include other receivables from third parties and related parties. The Group has assessed that the expected credit losses for these receivables under the 12 months expected losses method.

For amounts due from related parties that are receivable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. As the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. For other categories of other receivables have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term, the Group considered them to have low credit risk, and thus the loss allowance is immaterial.

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 2018					
Borrowings	**15,813,633**	**18,450,266**	**15,172,684**	**5,029,430**	**54,466,013**
Convertible bonds	**1,791,937**	**–**	**–**	**–**	**1,791,937**
Trade and other payables (Note (a))	**20,305,016**	**137,674**	**68,333**	**–**	**20,511,023**
Guarantees for borrowings of joint ventures (Note (b))	**822,500**	**–**	**–**	**–**	**822,500**
Financial guarantee for mortgage loans	**15,662,393**	**–**	**–**	**–**	**15,662,393**
	54,395,479	**18,587,940**	**15,241,017**	**5,029,430**	**93,253,866**
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

Notes:

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

(b) It represents the guaranteed principal of borrowings of joint ventures of 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 and convertible bonds less cash and cash equivalents (Note 19) and less guarantee deposits for bank borrowings included in restricted cash (Note 18(c)). Total borrowings comprise senior notes, corporate bonds, bank borrowings and other borrowings (Note 23). Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2018 and 2017 are as follows:

	31 December	
	2018 RMB'000	2017 RMB'000
Total borrowings (Note 23)	**47,357,628**	35,535,868
Add: convertible bonds (Note 24)	**1,743,638**	–
Less: cash and cash equivalents (Note 19)	**(14,839,776)**	(9,386,757)
Less: guarantee deposits for bank borrowings (Note 18(c))	**(524,789)**	(312,000)
Net debt	**33,736,701**	25,837,111
Total equity	**32,804,940**	29,474,189
Total capital	**66,541,641**	55,311,300
Gearing ratio	**50.7%**	46.7%

The increase in the gearing ratio during 2018 resulted primarily from the issuance of convertible bonds, senior notes and 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 2018 and 2017. 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 2018				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	**155,189**	**142,376**	**–**	**297,565**
Financial assets at fair value through other comprehensive income (Note 15)	**–**	**–**	**348,461**	**348,461**
Total	**155,189**	**142,376**	**348,461**	**646,026**
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 15)	–	–	462,507	462,507
Total	28,953	–	462,507	491,460

There were no transfers between levels during the year.

(a) *Financial instruments in level 1*

As at 31 December 2018, 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.

(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 15.

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) Revenue recognition

Revenue from sales of properties is recognised over time when 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; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group cannot change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements.

In assessing whether the Group has an enforceable right to payment for its sale contracts, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgements on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for sales contracts.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future period can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

(b) 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Income taxes and deferred taxation (continued)

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.

(c) 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.

(d) 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 2.9.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Fair value of investment properties (continued)

Management, after consulting independent qualified valuer, considers that the fair value of investment properties under construction as at 31 December 2018 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2018 were measured at fair value.

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

(e) Recoverability of contract assets and trade and other receivables

The management assesses the recoverability of contract assets and trade and other receivables individually with reference to the past repayment history as well as subsequent settlement status. Allowances are applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of contract assets and trade and other receivables and the impairment charge in the period in which such estimate has been changed.

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	
	2018 RMB'000	2017 RMB'000
Sales of properties	**16,667,415**	13,301,879
Rental income of investment properties	**1,123,555**	856,203
Income of property management services	**1,125,083**	947,888
Income of other property development related services	**677,737**	486,671
	19,593,790	15,592,641

5 SEGMENT INFORMATION (CONTINUED)

(a) 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 expense. 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 2018 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	16,667,415	1,123,555	1,277,365	677,737	–	19,746,072
Inter-segment revenue	–	–	(152,282)	–	–	(152,282)
Revenue	16,667,415	1,123,555	1,125,083	677,737	–	19,593,790
Share of post-tax profits of joint ventures	102,767	–	–	–	–	102,767
Share of post-tax loss of associates	85,323	–	–	(856)	–	84,467
Segment results	5,653,640	3,122,393	122,515	(112,944)	–	8,785,604
Other income and gains – net						216,369
Unallocated operating costs						(811,853)
Finance costs – net						(1,376,659)
Profit before income tax						6,813,461
Income tax expense						(3,165,812)
Profit for the year						3,647,649
Depreciation (Note 6)	60,825	–	6,091	133,433	–	200,349
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	33,117	–	33,117
Fair value gains on investment properties – net (Note 8)	–	2,500,520	–	–	–	2,500,520

5 SEGMENT INFORMATION (CONTINUED)

(a) (continued)

The segment results and other segment items included in the profit 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
Share of post-tax profits of joint ventures	223,863	–	–	–	–	223,863
Share of post-tax loss of associates	(25,372)	–	–	(1,132)	–	(26,504)
Segment results	4,142,160	2,510,693	115,438	(104,088)	–	6,664,203
Other income and gains – net						558,174
Unallocated operating costs						(501,576)
Finance costs – net						(572,618)
Profit before income tax						6,148,183
Income tax expense						(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

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

5 SEGMENT INFORMATION (CONTINUED)

(b) Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2018 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	69,471,350	47,870,178	1,752,372	4,814,650	(5,325,247)	118,583,303
Other assets						13,471,237
Total assets						132,054,540
Segment assets include:						
Interests in joint ventures	3,151,990	–	–	–	–	3,151,990
Interests in associates	929,568	–	–	45,885	–	975,453
Segment liabilities	28,955,446	2,771,337	1,027,149	3,807,519	(5,325,247)	31,236,204
Other liabilities						68,013,396
Total liabilities						99,249,600
Capital expenditure	74,778	4,091,436	2,553	297,151	–	4,465,918

Segment assets, liabilities and interests in joint ventures and an associate 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 assets include:						
Interests in joint ventures	3,602,736	–	–	–	–	3,602,736
Interests in associates	537,795	–	–	46,612	–	584,407
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

5 SEGMENT INFORMATION (CONTINUED)

Segment assets are reconciled to total assets as follows:

	31 December	
	2018 RMB'000	2017 RMB'000
Segment assets	**118,583,303**	83,478,932
Other assets		
– Prepaid taxes	**727,215**	365,417
– Deferred income tax assets	**499,343**	367,842
– Unallocated cash and cash equivalents and restricted cash	**3,020,704**	4,876,556
– Other receivables from related parties (Note 39(d))	**8,456,228**	5,818,063
– Unallocated property and equipment	**108,144**	76,563
– Other corporate assets	**13,577**	15,915
– Financial assets at fair value through other comprehensive income (Note 15)	**348,461**	–
– Available-for-sale financial assets (Note 15)	**–**	462,507
– Financial assets at fair value through profit or loss (Note 14)	**297,565**	28,953
Total assets	**132,054,540**	95,490,748

Segment liabilities are reconciled to total liabilities as follows:

	31 December	
	2018 RMB'000	2017 RMB'000
Segment liabilities	**31,236,204**	16,250,665
Other liabilities		
– Current income tax liabilities	**6,642,105**	4,720,124
– Deferred income tax liabilities	**6,130,190**	4,733,771
– Current borrowings	**12,977,220**	9,755,860
– Convertible bonds	**1,743,638**	–
– Non-current borrowings	**34,380,408**	25,780,008
– Other payables to related parties (Note 39(d))	**5,686,893**	4,508,599
– Other corporate liabilities	**452,942**	267,532
Total liabilities	**99,249,600**	66,016,559

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 2018					
Opening net book amount	830,514	2,531,051	17,806	149,174	3,528,545
Additions	120,229	56,163	16,664	25,581	218,637
Consolidations of entities previously held as joint ventures (Note 41)	–	–	1,216	502	1,718
Transfers	(410,810)	410,810	–	–	–
Disposals	–	(175,500)	(212)	(2,277)	(177,989)
Depreciation	–	(161,054)	(6,830)	(32,465)	(200,349)
Closing net book amount	539,933	2,661,470	28,644	140,515	3,370,562
At 31 December 2018					
Cost	539,933	3,322,065	102,330	375,400	4,339,728
Accumulated depreciation	–	(660,595)	(73,686)	(234,885)	(969,166)
Net book amount	539,933	2,661,470	28,644	140,515	3,370,562
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	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

6 PROPERTY AND EQUIPMENT (CONTINUED)

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

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Cost of sales	**147,809**	109,900
Selling and marketing costs	**2,606**	2,503
Administrative expenses	**49,934**	46,969
	200,349	159,372

As at 31 December 2018, property and equipment with a net book amount of RMB1,984,276,000 (2017: RMB1,651,966,000) were pledged as collateral for the Group's borrowings (Note 23).

Borrowing costs of RMB85,847,000 (2017: RMB80,315,000) have been capitalised in assets under construction for the year ended 31 December 2018.

The capitalisation rate of borrowings for the year ended 31 December 2018 was 6.42% (2017: 5.99%).

7 LAND USE RIGHTS

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Opening net book amount	**1,059,237**	1,050,746
Additions	**155,845**	3,439
Consolidations of entities previously held as joint ventures	**–**	29,293
Amortisation charges	**(33,117)**	(24,241)
Ending net book amount	**1,181,965**	1,059,237

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 2018, land use rights of RMB676,490,000 (2017: RMB624,327,000) were pledged as collateral for the Group's borrowings (Note 23).

8 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2018			
At 1 January 2018	**34,145,966**	**5,071,703**	**39,217,669**
Additions	**261,103**	**3,830,333**	**4,091,436**
Transfers	**3,393,406**	**(3,393,406)**	**–**
Fair value gains – net	**1,722,703**	**777,817**	**2,500,520**
Transfer to completed properties held for sale – net	**(128,205)**	**–**	**(128,205)**
Disposals	**(22,284)**	**–**	**(22,284)**
At 31 December 2018	**39,372,689**	**6,286,447**	**45,659,136**
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	–	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

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Rental income (Note 5)	**1,123,555**	856,203
Direct operating expenses arising from investment properties that generate rental income	**(244,792)**	(194,538)
Direct operating expenses arising from investment properties that do not generate rental income	**(130,612)**	(101,549)

Investment properties as at 31 December 2018 are held in the PRC on leases between 10 to 50 years (2017:10 to 50 years).

Borrowing costs of RMB657,539,000 (2017: RMB380,049,000) have been capitalised in investment properties under construction for the year ended 31 December 2018. The capitalisation rate of borrowings for the year ended 31 December 2018 was 6.42% (2017: 5.99%).

As at 31 December 2018, investment properties of RMB31,560,192,000 (2017: RMB23,230,787,000) were pledged as collateral for the Group's borrowings (Note 23).

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 2018. 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 2018, 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.

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 2018 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 2018 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	36,444,226	Term and reversionary method	Term yields	3.5%-6.5%	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)	62-304	The higher the market rents, the higher the fair value
	Car parks	2,928,463	Direct comparison	Market price (RMB/per car park)	29,000-400,000	The higher the market price, the higher the fair value
Investment properties under construction	Commercial properties	5,665,714	Residual method	Market rents (RMB/square meter/ month)	41-266	The higher the market rents, the higher the fair value
				Reversionary yields	5.0%-6.0%	The higher the market yields, the lower the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	1,523-3,213	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	10.0%-15.0%	The higher the developer's profit, the lower the fair value
	Car parks	620,733	Residual method	Market price (RMB/per car park)	75,000-320,000	The higher the market price, the higher the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	368-2,261	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

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

	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

9 PROPERTIES UNDER DEVELOPMENT

	31 December	
	2018	2017
	RMB'000	RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	**7,655,046**	3,176,356
– Interests capitalised	**3,085,253**	1,788,077
– Land use rights	**21,609,968**	5,380,452
	32,350,267	10,344,885

The properties under development are all located in the PRC and expected to be completed within an operating cycle. The relevant land use rights in the PRC are on leases of 40 to 70 years.

As at 31 December 2018, properties under development of approximately RMB18,288,430,000 (2017: RMB4,630,753,000) were pledged as collateral for the Group's borrowings (Note 23).

The capitalisation rate of borrowings for the year ended 31 December 2018 was 6.42% (2017: 5.99%).

10 COMPLETED PROPERTIES HELD FOR SALE

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

As at 31 December 2018, completed properties held for sale of approximately RMB3,258,498,000 (2017: RMB3,140,347,000) were pledged as collateral for the Group's borrowings (Note 23).

11 TRADE RECEIVABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade receivables – third parties	**1,539,849**	1,482,931
Less: loss allowance	**(19,860)**	(25,474)
	1,519,989	1,457,457

(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.

The ageing analysis of trade receivables as at the respective balance sheet date is as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 90 days	**1,330,017**	1,189,809
Over 90 days and within 180 days	**63,076**	83,186
Over 180 days and within 365 days	**91,778**	176,982
Over 365 days	**54,978**	32,954
	1,539,849	1,482,931

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2018, a provision of RMB19,860,000 was made against the gross amounts of trade receivables (2017: RMB25,474,000).

The closing loss allowance for trade receivables reconcile to the opening loss allowance as follows:

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
At 1 January	**25,474**	20,945
Provision for impairment	**1,538**	4,544
Receivables written off during the year as uncollectible	**(1,938)**	(15)
Unused amount reverse	**(5,214)**	–
At 31 December	**19,860**	25,474

(b) As at 31 December 2018 and 2017, the fair value of trade receivables approximated their carrying amounts.

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

(d) The maximum exposure to credit risk of the trade receivables at the reporting date was the carrying value of each class of receivables. Except for those disclosed in Note 11(a), no material trade receivables were impaired or past due as at 31 December 2018 and 2017.

12 OTHER RECEIVABLES

	31 December	
	2018 RMB'000	2017 RMB'000
Deposits for acquisition of land use rights	**83,000**	138,000
Other receivables from:	**14,649,697**	8,597,727
– Related parties (Note 39(d))	**8,456,228**	5,818,063
– Non-controlling interests	**4,261,886**	1,080,645
– Other amounts due from third parties	**1,931,583**	1,699,019
	14,732,697	8,735,727

See Note 2.2 for the impact of the change in accounting policy following the adoption of HKFRS 9 on the classification of financial assets and Note 2.11 for the remaining relevant accounting policies.

(a) The Group's other receivables are mainly denominated in RMB.

(b) Included in other receivables from related parties, there are amounts due from the joint ventures of approximately RMB1,488,173,000 (2017: RMB2,100,013,000) bearing interest at average rate of 7.76% per annum (2017: 6.30%), which are repayable within one year from 31 December 2018.

(c) Other receivables from third parties mainly consist of deposits for construction projects. No material other receivables were impaired or past due as at 31 December 2018 and 2017.

(d) The carrying amounts of other receivables approximate their fair values.

13 PREPAYMENTS

	31 December	
	2018 RMB'000	2017 RMB'000
Current portion		
Acquisition of land use rights (Note (a))	**1,861,210**	4,011,838
Construction materials – third parties	**153,407**	137,567
	2,014,617	4,149,405
Non-current portion		
Investments in property development projects	**–**	1,207,135
	2,014,617	5,356,540

(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 38(a)).

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies the following financial assets at fair value through profit or loss (FVPL): equity investments that are held for trading, and equity investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income.

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Opening amounts as at 1 January	**28,953**	27,003
Adjustment on opening balance-reclassified from available-for-sale financial asset (Note 2.2)	**120,257**	–
Additions	**140,611**	–
Fair value gains	**7,744**	15,089
Disposals	**–**	(13,139)
Closing amounts as at 31 December	**297,565**	28,953

FVPL comprise the following individual investments:

	31 December	
	2018 **RMB'000**	2017 RMB'000
Hong Kong listed equity securities	**155,189**	28,953
Investment fund	**142,376**	–
	297,565	28,953

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

Analysis of the sensitivity of the assets to foreign exchange, price and interest rate risk is set out in Note 3.1.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Classification and measurement

Financial assets at fair value through other comprehensive income (FVOCI) comprise: equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening amounts as at 1 January	**462,507**	413,250
Adjustment on opening balance-reclassified to FVPL (Note 2.2)	**(120,257)**	–
Additions	**6,000**	9,000
Net gains recognised in other comprehensive income	**211**	40,257
Closing amounts as at 31 December	**348,461**	462,507

Equity investments at FVOCI comprise the following individual investments:

	31 December	
	2018 RMB'000	2017 RMB'000
Non-current unlisted securities:		
– Unlisted insurance company (Note (i))	**333,528**	333,250
– Unlisted real estate agency company	**–**	120,257
– Unlisted fund investments	**14,933**	9,000
	348,461	462,507

(i) 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 2018, the fair value of this 5% equity interest was derived by using the income approach based on present value techniques.

(b) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

These financial assets were not past due or impaired as of 31 December 2018 and 2017.

Analysis of the sensitivity of the assets to foreign exchange, price and interest rate risk is set out in Note 3.1.

The maximum exposure to credit risk at the reporting date is the carrying value of FVPL and FVOCI. There are no commitment or contingent liabilities relating to the Group's interests in these unlisted companies.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

There was no associate nor joint venture of the Group as at 31 December 2018 which, in the opinion of the executive directors, are material to the Group. For those individually immaterial associates and joint ventures that are accounted for using the equity method, amounts recognised in the consolidated balance sheet and the profit or loss are set out as below:

The amounts recognised in the balance sheet are as follows:

	31 December	
	2018 RMB'000	2017 RMB'000
Non-current portion:		
Investments in joint ventures	**3,151,990**	3,602,736
Investments in associates	**975,453**	584,407
	4,127,443	4,187,143

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Joint ventures (Note (a))	**102,767**	223,863
Associates (Note (b))	**84,467**	(26,504)
	187,234	197,359

(a) Joint ventures

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
At 1 January	**3,602,736**	2,276,948
Additions	**38,896**	1,191,422
Additions from consolidation	**–**	278,479
Transfer to subsidiaries (Note 41)	**(597,010)**	(306,954)
Disposal	**–**	(2,280)
Currency translation differences	**15,079**	(16,258)
Share of profits – net	**102,767**	223,863
Elimination of unrealised profits	**(10,478)**	(42,484)
At 31 December	**3,151,990**	3,602,736

The contingent liabilities relating to the Group's financial guarantee provided for the joint ventures are disclosed in Note 37. There is no commitment relating to the Group's interests in the joint ventures.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Associates

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
At 1 January	**584,407**	328,152
Additions	**328,118**	292,880
Share of profit/(losses) – net	**84,467**	(26,504)
Transfer to a subsidiary	**–**	(2,482)
Elimination of unrealised profits	**(21,539)**	(7,639)
At 31 December	**975,453**	584,407

There is no commitment relating to the Group's interests in the associates.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

Financial assets

	31 December	
	2018 RMB'000	2017 RMB'000
Financial assets at amortised cost:	**32,028,397**	20,155,479
Trade receivables	**1,519,989**	1,457,457
Other receivables	**14,732,697**	8,735,727
Restricted cash	**935,935**	575,538
Cash and cash equivalents	**14,839,776**	9,386,757
FVOCI	**348,461**	–
FVPL	**297,565**	28,953
Available-for-sale financial assets	**–**	462,507
	32,674,423	20,646,939

Financial liabilities

	31 December	
	2018 RMB'000	2017 RMB'000
Financial liabilities at amortised cost:		
Borrowings	**47,357,628**	35,535,868
Convertible bonds	**1,743,638**	–
Trade and other payables excluding other taxes and payroll payables	**20,511,023**	16,575,279
	69,612,289	52,111,147

18 RESTRICTED CASH

	31 December 2018 RMB'000	2017 RMB'000
Guarantee deposits for construction projects (Note (a))	**382,595**	210,740
Guarantee deposits for bank acceptance notes (Note (b))	**1,153**	24,482
Guarantee deposits for bank borrowings (Note (c))	**524,789**	312,000
Others	**27,398**	28,316
	935,935	575,538
Denominated in:		
– RMB	**935,935**	573,503
– US$	**–**	1,972
– HK$	**–**	63
	935,935	575,538

(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 2018, the Group has placed cash deposits of approximately RMB1,153,000 (2017: RMB24,482,000) with designated banks as guarantee for the issuance of bank acceptance notes.

(c) As at 31 December 2018, the Group has placed cash deposits of approximately RMB524,789,000 (2017: RMB312,000,000) 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.

19 CASH AND CASH EQUIVALENTS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	**14,810,786**	9,090,038
– Denominated in HK$	**21,669**	111,298
– Denominated in US$	**7,321**	185,421
	14,839,776	9,386,757

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.

20 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 2017, 31 December 2017 and 31 December 2018	30,000,000,000				
Issued and fully paid:					
As at 1 January 2018	3,997,303,000	35,486	2,030,676	–	2,066,162
Dividends (Note 35)	–	–	(902,037)	–	(902,037)
As at 31 December 2018	3,997,303,000	35,486	1,128,639	–	1,164,125
As at 1 January 2017	3,997,303,000	35,486	2,726,786	(79,226)	2,683,046
Dividends	–	–	(735,023)	–	(735,023)
Vested and transferred to eligible employees	–	–	(3,105)	11,844	8,739
Termination of share award scheme	–	–	42,018	67,382	109,400
As at 31 December 2017	3,997,303,000	35,486	2,030,676	–	2,066,162

21 OTHER RESERVES

	Merger reserve RMB'000 (Note (a))	Other reserves RMB'000 (Note (c))	Statutory reserves RMB'000 (Note (b))	Share-based compensation reserve RMB'000	Revaluation reserves RMB'000 (Note(c))	Transaction with non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2017 as originally presented	**337,203**	**(16,258)**	**56,696**	**–**	**277,735**	**1,606**	**656,982**
Adjustment on adoption of HKFRS 9, net of tax (Note 2.2)	**–**	**–**	**–**	**–**	**(30,193)**	**–**	**(30,193)**
Balance at 1 January 2018	**337,203**	**(16,258)**	**56,696**	**–**	**247,542**	**1,606**	**626,789**
Change in fair value of FVOCI, net of tax	**–**	**–**	**–**	**–**	**158**	**–**	**158**
Appropriation to statutory reserves	**–**	**–**	**39,050**	**–**	**–**	**–**	**39,050**
Currency translation differences	**–**	**15,079**	**–**	**–**	**–**	**–**	**15,079**
Balance at 31 December 2018	**337,203**	**(1,179)**	**95,746**	**–**	**247,700**	**1,606**	**681,076**
Balance at 1 January 2017	337,203	–	53,686	7,988	247,542	8,481	654,900
Share Award Scheme – value of employee services	–	–	–	751	–	–	751
Share Award Scheme – transfer of vested shares under Share Award Scheme to the staff	–	–	–	(8,739)	–	–	(8,739)
Change in 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

(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.

21 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) Other comprehensive income

	Year ended 31 December 2018		
	Other reserves RMB'000	Revaluation reserves RMB'000	Total other comprehensive income RMB'000
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences (Note 16(a))	15,079	–	15,079
Items that will not be reclassified subsequently to profit or loss:			
Fair value gains on FVOCI – gross (Note 15)	–	211	211
Tax charge – deferred income tax	–	(53)	(53)
Total other comprehensive income – net of tax	15,079	158	15,237

	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 15)	–	40,257	40,257
Tax charge – deferred income tax	–	(10,064)	(10,064)
Currency translation differences (Note 16(a))	(16,258)	–	(16,258)
Total other comprehensive income – net of tax	(16,258)	30,193	13,935

Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 2.11. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Available-for-sale financial assets – until 31 December 2017

Changes in the fair value and exchange differences arising on translation of investments that were classified as available-for-sale financial assets (e.g. equity investments), were recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts were reclassified to profit or loss when the associated assets are sold or impaired, see accounting policy Note 2.11 for details.

22 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Balance as at 1 January 2018	**1,690,400**	**31,963**	**1,722,363**
Issuance of Perpetual Capital Instruments	**546,000**	**–**	**546,000**
Redemption of Perpetual Capital Instruments	**(690,400)**	**–**	**(690,400)**
Profit attributable to holders of Perpetual Capital Instruments	**–**	**123,045**	**123,045**
Distribution to holders of Perpetual Capital Instruments	**–**	**(148,754)**	**(148,754)**
Balance as at 31 December 2018	**1,546,000**	**6,254**	**1,552,254**
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

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.

23 BORROWINGS

	31 December	
	2018 RMB'000	2017 RMB'000
Borrowings included in non-current liabilities:		
Senior notes	**7,529,298**	5,566,933
– senior notes due September 2021 ("2021 Notes I") (Note (a)(i))	**1,362,109**	1,285,452
– senior notes due April 2021 ("2021 Notes II") (Note (a)(ii))	**2,395,044**	–
– senior notes due July 2020 ("2020 Notes") (Note (a)(iii))	**3,772,145**	1,975,170
– senior notes due November 2018 ("2018 Notes") (Note (a)(iv))	**–**	2,306,311
Corporate bonds (Note (b))	**9,202,345**	11,546,494
Bank borrowings (Note (c))	**23,836,141**	13,421,920
– secured	**23,678,425**	13,421,920
– unsecured	**157,716**	–
Other borrowings – secured (Note (d))	**3,399,400**	2,737,751
Less: current portion of non-current borrowings	**(9,586,776)**	(7,493,090)
	34,380,408	25,780,008
Borrowings included in current liabilities:		
Bank borrowings – secured (Note (c))	**2,184,344**	2,262,770
Other borrowings – secured (Note (d))	**906,100**	–
Short-term commercial papers	**300,000**	–
Current portion of long-term borrowings	**9,586,776**	7,493,090
	12,977,220	9,755,860
Total borrowings	**47,357,628**	35,535,868

23 BORROWINGS (CONTINUED)

(a) Senior notes

(i) *2021 Notes I*

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$195,006,519 (equivalent to approximately RMB1,304,496,000). The 2021 Notes I is denominated in US$.

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
At 1 January	**1,285,452**	1,364,131
Interest expense and amortisation of issuance costs	**70,970**	70,446
Repayment of interest	**(63,667)**	(65,045)
Foreign exchange losses/(gains) – net	**69,354**	(84,080)
At 31 December	**1,362,109**	1,285,452

(ii) *2021 Notes II*

On 17 April 2018, the Company issued 6.95%, three years senior notes, with an aggregated nominal value of US$350,000,000 at 99.204% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US$342,300,000 (equivalent to approximately RMB2,158,882,000). The 2021 Notes II are denominated in US$.

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

	Year ended 31 December
	2018 RMB'000
Fair value at the date of issuance	**2,158,882**
Interest expense and amortisation of issuance costs	**119,020**
Repayment of interest	**(84,065)**
Foreign exchange losses – net	**201,207**
At 31 December	**2,395,044**

(iii) *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 "Existing Notes"). The net proceeds, after deducting the issuance costs, amounted to US$294,698,861 (equivalent to approximately RMB1,987,774,000).

On 8 August 2018, the Company issued 5.95%, two years senior notes, with an aggregated nominal value of US$250,000,000 at 94.702% discount to face value (the "New Notes" and together with the Existing Notes, the "2020 Notes"). The terms and conditions for the New Notes are the same as those for the Existing Notes in all respects except for the issue date and issue price. The net proceeds, after deducting the issuance costs, amounted to US$234,500,000 (equivalent to approximately RMB1,616,114,000). The 2020 Notes is denominated in US$.

23 BORROWINGS (CONTINUED)

(a) Senior notes (continued)

(iii) *2020 Notes (continued)*

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
At 1 January/at issuance date	**1,975,170**	1,987,774
Addition	**1,616,114**	–
Interest expense and amortisation of issuance costs	**200,571**	59,387
Repayment of interest	**(117,057)**	–
Foreign exchange losses/(gains) – net	**97,347**	(71,991)
At 31 December	**3,772,145**	1,975,170

(iv) *2018 Notes*

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. 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 Company has repaid the 2018 Notes in 2018.

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 2018				Year ended 31 December 2017
	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	**4,112,224**	**1,734,101**	**5,700,169**	**11,546,494**	12,870,865
Additions	**–**	**–**	**994,850**	**994,850**	994,340
Interest expense and amortisation of issuance costs	**240,813**	**94,221**	**351,767**	**686,801**	763,349
Repayment of principal	**(1,100,000)**	**(960,000)**	**(1,267,697)**	**(3,327,697)**	(2,039,455)
Repayment of interest	**(242,100)**	**(111,063)**	**(344,940)**	**(698,103)**	(1,042,605)
At 31 December	**3,010,937**	**757,259**	**5,434,149**	**9,202,345**	11,546,494

23 BORROWINGS (CONTINUED)

(b) Corporate bonds (continued)

(i) *Panda bonds*

On 3 August 2016, the Company issued 6.8% two-year corporate bonds with an aggregated principal amount of RMB300,000,000 at 100% of the face value. The Company has repaid the Panda bonds in 2018.

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. The Company redeemed the matured 4.98% two-year corporate bonds with the principal amount of RMB500,000,000.

On 28 December 2015, the Company issued 7.30% three-year panda bonds with an aggregated principal amount of RMB300,000,000 at 100% of the face value. The Company has repaid the Panda bonds in 2018.

(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.

On 21 March 2017, the PRC subsidiary of the Company redeemed part of the ABS with the principal amount of RMB140,000,000. On 20 March 2018 and 24 August 2018, the PRC subsidiary of the Company redeemed the rest of the ABS with an aggregate principal amount of RMB410,000,000.

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.

On 31 October 2017, the PRC subsidiary of the Company redeemed the first instalment of the ABS with the principal amount of RMB300,000,000. On 29 October 2018, the PRC subsidiary of the Company redeemed the second installment of the ABS with the principal amount of RMB550,000,000.

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

23 BORROWINGS (CONTINUED)

(b) Corporate bonds (continued)

(iii) PRC Corporate bonds

On 4 December 2015, a PRC subsidiary of the Group issued 7.50%, five-year PRC non-public corporate bonds with an aggregated principal amount of RMB500,000,000 at 100% of the face value. The PRC subsidiary redeemed the corporate bonds with the principal amount of RMB500,000,000 in 2018.

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. The PRC subsidiary redeemed the corporate bonds with the principal amount of RMB767,697,500 in 2018.

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.

On 13 December 2018, a PRC subsidiary of the Group issued 7.5%, 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 2018, bank borrowings of RMB25,862,769,000 (2017: RMB15,684,690,000) 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 18); the secured bank borrowings of RMB3,502,866,000 (2017: RMB2,399,356,000) were additionally guaranteed by certain related parties (Note 39(b)(ii)).

(d) Other borrowings

As at 31 December 2018, borrowings from other financial institutions of RMB4,305,500,000 (2017: RMB2,737,751,000) 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).

23 BORROWINGS (CONTINUED)

(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 2018	3,848,980	7,583,337	21,352,591	1,595,500	34,380,408
At 31 December 2017	2,229,569	8,741,633	13,686,056	1,122,750	25,780,008
Borrowings included in current liabilities:					
At 31 December 2018	4,049,056	8,928,164	–	–	12,977,220
At 31 December 2017	2,493,326	7,262,534	–	–	9,755,860

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

	31 December 2018		31 December 2017	
	Carrying amount RMB'000	**Fair Value RMB'000**	Carrying amount RMB'000	Fair Value RMB'000
2021 Notes I (Note (i))	**1,342,493**	**1,188,596**	1,266,851	1,247,877
2021 Notes II (Note (i))	**2,360,739**	**2,247,904**	–	–
2020 Notes (Note (i))	**3,670,615**	**3,297,424**	1,922,656	1,936,384
Corporate bonds (Note (ii))	**5,051,961**	**5,230,378**	8,144,218	8,141,728
Bank borrowings (Note (iii))	**18,959,520**	**18,959,520**	12,093,225	12,093,225
Other borrowings (Note (iii))	**2,995,080**	**2,995,080**	2,353,058	2,353,058
	34,380,408	**33,918,902**	25,780,008	25,772,272

Notes:

(i) The fair values were determined directly by references to the price quotations published by Singapore Stock Exchange Limited on 31 December 2018 and 2017, 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 2018 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.

23 BORROWINGS (CONTINUED)

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

	31 December 2018	2017
Senior notes	**6.84%**	7.78%
Corporate bonds	**6.60%**	6.49%
Bank and other borrowings	**6.54%**	5.81%
Short-term commercial papers	**6.62%**	–

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

	Senior notes RMB'000	Corporate bonds RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
As at 31 December 2018					
Within 1 year	**155,451**	**4,450,385**	**7,060,964**	**1,310,420**	**12,977,220**
1–2 years	**3,670,615**	**1,991,837**	**8,062,639**	**2,995,080**	**16,720,171**
2–5 years	**3,703,232**	**3,060,123**	**7,269,342**	**–**	**14,032,697**
Over 5 years	**–**	**–**	**3,627,540**	**–**	**3,627,540**
	7,529,298	**9,502,345**	**26,020,485**	**4,305,500**	**47,357,628**
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

(i) As at 31 December 2018 and 2017, the Group had the following undrawn borrowing facilities:

	31 December 2018 RMB'000	2017 RMB'000
Floating rate:		
– expiring within 1 year	**700,000**	–
– expiring beyond 1 year	**3,479,133**	3,054,855
Fixed rate:		
– expiring within 1 year	**640,000**	–
	4,819,133	3,054,855

24 CONVERTIBLE BONDS

On 13 February 2018, the Company issued convertible bonds with a zero coupon rate with an initial conversion price of HK$5.4463 each in an aggregate principal amount of HK$1,990,000,000 (the "Convertible Bonds"). The Convertible Bonds are denominated in HK$. The net proceeds from the subscription of the Convertible Bonds, after deduction of commission and expenses, amounted to approximately HK$1,964,000,000 (equivalent to approximately RMB1,589,328,000).

The bonds' holders are entitled to convert them into ordinary shares of the Company at any time between the date of issue of the Convertible Bonds and maturity date on 11 February 2019 (the "Conversion Option"). The Conversion Option is not closely related to the host debt and is classified as a derivative liability. As at 31 December 2018, the carrying amount of the host debt was RMB1,743,638,000 and the fair value of the conversion option was zero.

This Convertible Bonds were subsequently fully redeemed on 11 February 2019 on the face value with 2.75% yield to maturity.

25 DEFERRED INCOME TAX

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

	31 December	
	2018 RMB'000	2017 RMB'000
Deferred income tax assets:		
To be realised after more than 12 months	**327,691**	241,394
To be realised within 12 months	**171,652**	126,448
	499,343	367,842
Deferred income tax liabilities:		
To be realised after more than 12 months	**(5,201,896)**	(4,539,257)
To be realised within 12 months	**(928,294)**	(194,514)
	(6,130,190)	(4,733,771)
	(5,630,847)	(4,365,929)

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
At 1 January	**(4,365,929)**	(3,681,528)
Recognised in income tax expense (Note 33)	**(212,247)**	(242,448)
Tax charge relating to components of other comprehensive income (Note 21(c))	**(53)**	(10,064)
Consolidations of entities previously held as joint ventures (Note 41)	**(1,052,618)**	(522,860)
Disposal of a subsidiary	**–**	90,971
At 31 December	**(5,630,847)**	(4,365,929)

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:

25 DEFERRED INCOME TAX (CONTINUED)

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 2018	**229,690**	**231,079**	**460,769**
Credited to the income tax expense	**14,055**	**255,907**	**269,962**
At 31 December 2018	**243,745**	**486,986**	**730,731**
At 1 January 2017	229,962	218,997	448,959
(Charged)/credited to the income tax expense	(272)	14,474	14,202
Disposal of a subsidiary	–	(2,392)	(2,392)
At 31 December 2017	229,690	231,079	460,769

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 FVOCI (2017: available-for-sale financial assets) RMB'000	Total RMB'000
At 1 January 2018	**(123,923)**	**(4,778)**	**(4,603,891)**	**(94,106)**	**(4,826,698)**
Consolidations of entities previously held as joint ventures (Note 41)	**(1,052,618)**	**–**	**–**	**–**	**(1,052,618)**
Tax credited/(charged) to the income tax expense	**140,323**	**(715)**	**(621,817)**	**–**	**(482,209)**
Tax charge relating to components of other comprehensive income	**–**	**–**	**–**	**(53)**	**(53)**
At 31 December 2018	**(1,036,218)**	**(5,493)**	**(5,225,708)**	**(94,159)**	**(6,361,578)**
At 1 January 2017	–	(4,413)	(4,042,032)	(84,042)	(4,130,487)
Consolidations of entities previously held as joint ventures	(428,955)	–	(93,905)	–	(522,860)
Tax credited/(charged) to the income tax expense	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)

25 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities (continued)

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 RMB222,006,750 (2017: RMB180,446,000) in respect of losses amounting to RMB888,027,000 (2017: RMB721,784,000) that can be carried forward against future taxable income. The tax losses could be carried forward for a maximum of five years.

Tax losses will expire in the following years:

Year	RMB'000
2019	123,412
2020	109,827
2021	226,002
2022	78,827
2023	349,959
	888,027

Deferred income tax liabilities of RMB2,504,389,000 (2017: RMB2,186,590,000) 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 RMB29,035,890,000 as at 31 December 2018 (2017: RMB24,893,158,000), as the Group does not have a plan to distribute these earnings out of the PRC.

26 TRADE AND OTHER PAYABLES

	31 December	
	2018 RMB'000	2017 RMB'000
Trade payables (Note (a))	**9,705,474**	7,156,449
– Related parties (Note 39(d))	**11,678**	18,839
– Third parties	**9,686,795**	7,107,328
– Notes payable – third parties	**7,001**	30,282
Other payables and accruals	**10,205,657**	8,580,273
– Related parties (Note 39(d))	**5,686,893**	4,508,599
– Non-controlling interests	**2,028,688**	1,872,266
– Third parties (Note (b))	**2,490,076**	2,199,408
Payables for retention fee	**683,152**	697,633
Payables for acquisition of land use rights	**56,981**	261,286
Other taxes payables	**280,591**	512,462
	20,931,855	17,208,103
Less: non-current portion		
Other payables - third parties	**(206,007)**	–
Current portion	**20,725,848**	17,208,103

26 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The ageing analysis of trade payables as at 31 December 2018 and 2017 based on invoice date is as follows:

	31 December	
	2018	2017
	RMB'000	RMB'000
Within 90 days	**6,317,246**	4,525,782
Over 90 days and within 180 days	**1,717,541**	804,875
Over 180 days and within 365 days	**866,463**	955,536
Over 365 days and within 3 years	**804,224**	870,256
	9,705,474	7,156,449

(b) Other payables mainly included deposits from property purchasers 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.

(d) The carrying amounts of trade and other payables approximate their fair values.

27 CONTRACT LIABILITIES

	31 December 2018 RMB'000
Contract liabilities	**16,444,184**

28 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	31 December	
	2018	2017
	RMB'000	RMB'000
Current income tax liabilities		
– PRC corporate income tax payable	**3,490,138**	2,294,105
– Withholding income tax for the profits to be distributed from the group companies in the PRC	**–**	123,792
– PRC land appreciation tax payable	**3,151,967**	2,302,227
	6,642,105	4,720,124

29 EXPENSES BY NATURE

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

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	**10,214,258**	8,824,583
Staff costs (including directors' emoluments)	**1,255,221**	959,117
Employee benefit expenditure – including directors' emoluments	**1,404,913**	1,055,434
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(149,692)**	(96,317)
Taxes and other levies	**218,886**	280,953
Advertising costs	**385,836**	291,571
Property management fees	**219,282**	187,922
Hotel operations expenses	**318,260**	296,718
Depreciation (Note 6)	**200,349**	159,372
Donations	**239,567**	58,778
Amortisation of land use rights (Note 7)	**33,117**	24,241
Auditor's remuneration	**7,950**	6,000
– Audit services	**5,600**	5,100
– Non-audit services	**2,350**	900
Office lease payments	**14,266**	5,618

30 STAFF COSTS

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Wages and salaries	**1,151,527**	866,891
Pension costs – statutory pension	**202,131**	146,638
Other staff welfare and benefits	**51,255**	41,154
Value of employee services under Share Award Scheme	**–**	751
	1,404,913	1,055,434
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(149,692)**	(96,317)
	1,255,221	959,117

30 STAFF COSTS (CONTINUED)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including four (2017: four) directors whose emoluments are reflected in the analysis presented in Note 43. The aggregate amounts of emoluments of the other one (2017: one) highest paid individuals for the year ended 31 December 2018 and 2017 are set out below:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Wages and salaries	**760**	720
Retirement scheme contributions	**96**	87
Housing allowance	**96**	96
	952	903

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands (in HK$)		
HK$1,000,000 to HK$1,500,000	**1**	1

(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.

31 OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Fair value gains on the remeasurement of investments in joint ventures	**11,846**	282,450
Interest income	**166,947**	158,931
Investment gain from derivative financial instruments	**–**	71,775
Fair value gains on financial assets at fair value through profit or loss	**7,744**	15,089
Gains on disposal of investment properties	**6,096**	14,756
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	**1,586**	1,949
Exchange losses – net (Note (a))	**(3,305)**	(3,391)
Others	**25,455**	7,089
	216,369	558,174

(a) Amount mainly represents the net losses 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 32).

32 FINANCE COSTS – NET

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest expense:		
Bank borrowings and other borrowings	**1,684,685**	967,825
Corporate bonds	**686,801**	763,350
Senior notes	**534,458**	292,313
Convertible Bonds	**39,491**	–
Short-term commercial papers	**12,917**	–
	2,958,352	2,023,488
Foreign exchange losses/(gains) on financing activities – net	**806,627**	(359,518)
Less: capitalised	**(2,388,320)**	(1,091,352)
	1,376,659	572,618

33 INCOME TAX EXPENSE

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Current income tax:		
PRC corporate income tax	**1,485,982**	1,162,386
PRC land appreciation tax	**1,467,583**	701,850
	2,953,565	1,864,236
Deferred income tax:		
PRC corporate income tax	**292,393**	242,448
PRC land appreciation tax	**(80,146)**	173,756
	3,165,812	2,280,440

The tax charge on other comprehensive income has been disclosed in Note 21(c).

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	
	2018 RMB'000	2017 RMB'000
Profit before income tax	**6,813,461**	6,148,183
Calculated at applicable corporate income tax rate	**1,798,150**	1,721,418
Effect of expenses not deductible for income tax	**304,837**	92,443
Effect of income not subject to income tax	**(9,285)**	(160,492)
Share of profit of investments accounted for using the equity method	**(46,809)**	(49,340)
Tax losses for which no deferred income tax asset was recognised	**106,697**	44,526
Utilisation of tax losses previously not recognised	**(28,356)**	(24,819)
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(346,859)**	(218,902)
	1,778,375	1,404,834
PRC land appreciation tax	**1,387,437**	875,606
	3,165,812	2,280,440

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.

33 INCOME TAX EXPENSE (CONTINUED)

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.

34 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 for year ended 31 December 2017).

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**2,837,007**	3,336,752
Weighted average number of ordinary shares in issue (thousand shares)	**3,997,303**	3,967,240
Basic earnings per share (RMB cents per share)	**70.973**	84.108

34 EARNINGS PER SHARE (CONTINUED)

(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. Convertible bonds and awarded shares granted by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share 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 convertible bonds and awarded shares granted by the Company.

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)		
Used in calculating basic earnings per share	**2,837,007**	3,336,752
Add: interest expense on Convertible Bonds	**39,491**	–
Used in calculating diluted earnings per share	**2,876,498**	3,336,752
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)		
Used in calculating basic earnings per share	**3,997,303**	3,967,240
Adjustments:		
Convertible Bonds	**334,937**	–
Awarded shares under share awarded scheme	**–**	2,058
Used in calculating diluted earnings per share	**4,332,240**	3,969,298
Diluted earnings per share (RMB cents per share)	**66.397**	84.064

Convertible Bonds issued during the year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The Convertible Bonds have not been included in the determination of basic earnings.

35 DIVIDENDS

The dividend paid in 2018 consists of (i) the payment of the 2017 final cash dividend of HK$19.6 cents per ordinary share totalling HK$783,471,000 (equivalent to RMB661,172,000) (2016 final dividend: HK$16.0 cents per ordinary share, amounting to RMB556,802,000, excluding the dividend of RMB5,508,000 payable to the Share Award Scheme Trust), and (ii) 2018 interim dividend of HK$6.8 cents per ordinary share in form of cash totalling HK$271,817,000 (equivalent to RMB240,865,000) (2017 interim dividend: HK$5.4 cents per ordinary share, amounting to RMB183,729,000).

The Board recommended the payment of a final dividend of HK$23.2 cents (equivalent to RMB20.3 cents based on the exchange rate of 28 December 2018) per ordinary share. Total amount of final dividend would be HK$927,374,000 (equivalent to approximately RMB812,565,000) which is calculated according to the ordinary shares in issue as of 31 December 2018. Such dividend is subject to approval by the shareholders at the Annual General Meeting on 18 June 2019. These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Proposed final dividends	**812,565**	654,911

36 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Profit before taxation	**6,813,461**	6,148,183
Adjustments for:		
Depreciation (Note 6)	**200,349**	159,372
Amortisation of land use rights recognised as expense (Note 7)	**33,117**	24,241
Fair value gains on investment properties – net (Note 8)	**(2,500,520)**	(2,135,356)
Share of profit of investments accounted for using the equity method (Note 16)	**(187,234)**	(197,359)
Amortisation of Share Award Scheme	**–**	751
Other income and gains-net (Note 31)	**(216,369)**	(558,174)
Finance costs – net (Note 32)	**1,376,659**	572,618
Changes in operating capital:		
Properties under development and completed properties held for sale	**(13,990,830)**	(508,665)
Restricted cash	**(147,608)**	273,895
Trade and other receivables	**441,263**	1,104,547
Contract assets	**(6,967)**	–
Prepayments	**2,141,468**	(2,717,775)
Financial assets at FVPL	**–**	22,665
Trade and other payables	**(1,658,989)**	2,369,947
Contract liabilities (2017: Advances from customers)	**12,625,491**	(254,779)
Cash generated from operation	**4,923,291**	4,304,111

36 CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Loan from related parties RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Convertible bonds RMB'000	Total RMB'000
Net debt as at 1 January 2018	4,527,438	9,755,860	25,780,008	–	40,063,306
Cash flows	2,457,129	(149,506)	10,297,398	1,609,433	14,214,454
Repayment of interest	–	(1,064,398)	–	–	(1,064,398)
Consolidations of entities previously held as joint ventures (Note 41)	–	–	810,000	–	810,000
Foreign exchange adjustments	–	66,954	640,052	134,205	841,211
Reclassification	–	4,288,436	(4,288,436)	–	–
Other non-cash movements (Note (i))	(1,285,996)	79,874	1,141,386	–	(64,736)
Net debt as at 31 December 2018	5,698,571	12,977,220	34,380,408	1,743,638	54,799,837

	Loan from related parties RMB'000	Borrowings due within 1 year RMB'000	Borrowings 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
Repayment of interest	–	(1,261,865)	–	(1,261,865)
Consolidations of entities previously held as joint ventures	–	320,000	665,000	985,000
Disposal of subsidiary	–	(8,000)	(202,000)	(210,000)
Foreign exchange adjustments	–	(164,132)	(84,080)	(248,212)
Reclassification	–	5,346,072	(5,346,072)	–
Other non-cash movements (Note (i))	(1,245,362)	74,606	1,097,548	(73,208)
Net debt as at 31 December 2017	4,527,438	9,755,860	25,780,008	40,063,306

(i) Other non-cash movements mainly comprise: i) the elimination of the loans from joint ventures after the joint ventures were changed to subsidiaries of the Group during the year, and ii) interest expenses and amortisation of issuance costs of senior notes and corporate bonds.

37 FINANCIAL GUARANTEE CONTRACTS

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**15,662,393**	11,378,429
Guarantees for borrowings of joint ventures (Note (b))	**822,500**	1,519,000
	16,484,893	12,897,429

37 FINANCIAL GUARANTEE CONTRACTS (CONTINUED)

(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.

38 COMMITMENTS

(a) Commitments for property development expenditures

	31 December	
	2018 RMB'000	2017 RMB'000
Contracted but not provided for:		
Properties development activities	**7,663,384**	4,132,025
Acquisition of land use rights	**1,311,565**	46,660
	8,974,949	4,178,685

(b) Operating leases commitments

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

	31 December	
	2018 RMB'000	2017 RMB'000
Within one year	**58,789**	5,249
Later than one year and not later than five years	**54,573**	965
Later than five years	**7,000**	–
	120,362	6,214

39 RELATED PARTY TRANSACTIONS

(a) Name and relationship with significant 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
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 Powerlong Jinjun Real Estate Co., Ltd. 天津寶龍金駿房地產開發有限公司	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 Real Estate (Hong Kong) Holdings Limited 寶匯地產(香港)控股有限公司	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
Powerlong Golden Wheel Coral Company Limited 寶龍金輪珊瑚有限公司	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

39 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Name	Relationship
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
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
Zhangzhou Baolong Yingju Real Estate Co., Ltd. 漳州寶龍英聚房地產有限公司	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. 上海芈傑企業管理有限公司	Joint venture of the Group
Shanghai Duxuan Enterprise Management Co., Ltd. 上海都絢企業管理有限公司	Joint venture of the Group
Tianjin Yujing City Real Estate Development Co., Ltd. 天津愉景城置業有限公司	Joint venture of the Group
Zhejiang Zhoushan Zhongzhou Real Estate Development Co., Ltd. 浙江舟山中軸置業有限公司	Associate of the Group
Xuzhou Jinbi Real Estate Development Co., Ltd. 徐州金碧房地產開發有限公司	Associate of the Group
Nanjing Baomao Real Estate Co., Ltd. 南京寶茂置業有限公司	Associate of the Group
Hangzhou Zhanxiang Industrial Co., Ltd. 杭州展驤實業有限公司	Associate of the Group
Changshu Shibao Real Estate Development Co., Ltd. 常熟世寶房地產開發有限公司	Associate of the Group
Quanzhou Shimao Shiyue Real Estate Co., Ltd. 泉州世茂世悦置業有限公司	Associate of the Group
Tianjin Hongyao Decoration Engineering Co., Ltd. 天津宏耀裝修工程有限公司	Associate of the Group
Jinhua Ruilin Real Estate Development Co., Ltd. 金華市瑞麟房地產開發有限公司	Associate of the Group
Zhenjiang Hengrun Real Estate Development Co., Ltd. 鎮江恒潤房地產開發有限公司	Associate of the Group
Wenzhou Wanju Real Estate Co., Ltd. 溫州萬聚置業有限公司	Associate of the Group
Yiwu Zhongyao Real Estate Development Co., Ltd. 義烏眾耀房地產開發有限公司	Associate 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
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

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

(i) During the years ended 31 December 2018 and 2017, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Nature of transactions		
The Controlling Shareholders		
Sales of properties	**14,941**	–
Controlled by the ultimate controlling shareholder		
Rental income from related parties	**3,249**	2,349
Property management fee income	**725**	771
Purchase of office equipment and security intelligentisation system services from related parties	**31,531**	43,946
Hotel accommodation service fee charged by a related party	**2,294**	1,218
Joint ventures		
Sales of construction materials to joint ventures	**136,357**	68,242
Consultation services provided to joint ventures	**7,983**	34,058
Guarantees for borrowings of joint ventures	**822,500**	1,519,000

Certain close family members of Mr. Hoi Kin Hong who is the ultimate controlling shareholder of the Group, entered into sale and purchase agreements with various PRC subsidiaries of the Group. Of whom are mentioned above, Ms.Hoi Wa Fan is also a non-executive director.

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 RMB3,502,866,000 as at 31 December 2018 (31 December 2017: bank borrowings of RMB2,399,356,000) (Note 23).

(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.

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Key management compensation is set out below:

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Key management compensation		
– Salaries and other employee benefits	**17,673**	14,735
– Pension costs	**1,536**	1,096
	19,209	15,831

(d) Balances with related parties

As at 31 December 2018, the Group had the following material balances with related parties:

	31 December 2018 RMB'000	2017 RMB'000
Amounts due from related parties included in other receivables (Note (iii)):		
Controlled by the ultimate controlling shareholder	**21,376**	21,376
Joint ventures	**5,243,081**	5,796,673
Associates	**3,191,771**	14
	8,456,228	5,818,063
Amounts due to related parties included in trade payables (Note (ii)):		
Controlled by the ultimate controlling shareholder	**11,678**	17,561
Joint ventures	**–**	1,278
	11,678	18,839
Amounts due to related parties included in other payables (Note (iii)):		
Controlled by the ultimate controlling shareholder	**495,065**	437,143
Joint ventures	**4,245,084**	3,327,941
Associates	**946,744**	743,515
	5,686,893	4,508,599
Amounts due to related parties included in contract liabilities (Note (i)):		
The Controlling Shareholders	**9,686**	6,570

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (continued)

(i) Amounts due to related parties included in contract liabilities are mainly advance paid by the Controlling Shareholder for purchase of properties from the Group.

Amounts due from joint ventures included in trade receivables are mainly derived from construction materials sold to joint ventures.

(ii) Amounts due to related parties included in trade payables are mainly derived from purchase of office equipment and security intelligentisation system services, which are unsecured, interest-free and to be settled according to contract terms.

(iii) 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 12), others are unsecured, interest-free and receivable/repayable on demand.

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2018 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
Wide Evolution Limited	Hong Kong 11 February 2008	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 05 July 2007	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
Powerlong Land Development Limited	Hong Kong 03 October 2008	Limited liability company	HK$100	82%	18%	Investment holding in Hong Kong
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
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	RMB1,320,691,004	100%	–	Property development and property investment in the PRC
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

40 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
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 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	RMB100,000,000	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, property investment and hotel operation in the PRC
寶龍星創實業（杭州）有限公司 Powerlong Xingchuang Industrial (Hangzhou) Co., Ltd	the PRC 21 June 2016	Limited liability company	USD149,424,383	42%	58%	Property development and property investment in the PRC
徐州寶信房地產開發有限公司 Xuzhou Baoxin Real Estate Development Co., Ltd.	the PRC 18 June 2010	Limited liability company	USD14,900,000	80%	20%	Property development and property investment in the PRC
寧波寶龍華展置業發展有限公司 Ningbo Powerlong Huazhan Real Estate Development Co., Ltd.	the PRC 13 January 2017	Limited liability company	RMB50,000,000	57%	43%	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
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	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
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, property investment and hotel operation in the PRC

40 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
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
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
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
上海寶龍康駿房地產開發有限公司 Shanghai Powerlong Kangjun Real Estate Development Co., Ltd.	the PRC 30 July 2013	Limited liability company	RMB196,078,431	93%	7%	Property development and property investment in the PRC
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 the 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 the PRC
上海賢通置業有限公司 Shanghai Xiantong Real Estate Co. Ltd.	the PRC 21 February, 2012	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
青島寶龍置業發展有限公司 Qingdao Powerlong Real Estate Co. Ltd.	the PRC 24 November, 2009	Limited liability company	RMB139,832,933	100%	–	Property development and property investment in the PRC
安溪寶龍置業發展有限公司 Anxi Powerlong Real Estate Co. Ltd.	the PRC 27 January, 2010	Limited liability company	RMB52,500,000	85%	15%	Property development, property investment and hotel operation in the PRC
溫州寶信房地產開發有限公司 Wenzhou Baoxin Real Estate Co. Ltd.	the PRC 06 July, 2018	Limited liability company	RMB1,000,000	100%	–	Property development and property investment in the PRC

40 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
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
宿遷寶龍置業發展有限公司 Suqian Powerlong Real Estate Co. Ltd.	the PRC 10 December, 2007	Limited liability company	RMB100,000,000	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
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
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
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 the PRC
福州寶龍房地產發展有限公司 Fuzhou Powerlong Real Estate Development Co., Ltd	the PRC 21 October 2003	Limited liability company	RMB66,104,400	100%	–	Property development and property investment in the PRC
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
杭州龍耀實業有限公司 Hangzhou Longyao industrial Co., Ltd.	the PRC 03 August 2017	Limited liability company	RMB981,036,000	82%	18%	Property development and property investment in the PRC
寧波寶龍華隅置業發展有限公司 Ningbo Baolong Huayu Real Estate Development Co., Ltd.	the PRC 13 June 2018	Limited liability company	RMB500,000,000	82%	18%	Property development and property investment in the PRC

40 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
紹興豪湖房地產開發有限公司 Shaoxing Haohu Real Estate Development Co., Ltd	the PRC 25 October 2017	Limited liability company	RMB20,000,000	42%	58%	Property development and property investment in the PRC
無錫嘉禦置業有限公司 Wuxi Jiayu Real Estate Co., Ltd	the PRC 01 November 2017	Limited liability company	RMB200,000,000	67%	33%	Property development and property investment in the PRC
南通星龍房地產開發有限公司 Nantong Xinglong Real Estate Development Co., Ltd	the PRC 15 December 2017	Limited liability company	RMB850,000,000	41%	59%	Property development and property investment in the PRC
長影長流（海南）房地產開發有限公司 Changying Changliu (Hainan) Real Estate Development Co., Ltd	the PRC 03 April 2014	Limited liability company	RMB1,000,000	21%	79%	Property development and property investment in the PRC
杭州東輝置業有限公司 Hangzhou Donghui Real Estate Co. Ltd.	the PRC 19 February 2016	Limited liability company	–	41%	59%	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
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
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

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
上海寶龍實業發展有限公司 Shanghai Powerlong Industrial Development Co., Ltd.	the PRC 22 February 2010	Limited liability company	RMB4,183,562,245	100%	–	Investment holding in the PRC
寧波遠大實業投資有限公司 Ningbo Yuanda Industrial Investment Co., Ltd.	the PRC 23 August, 2011	Limited liability company	RMB200,000,000	90%	10%	Property development and property investment in the PRC
無錫譽恒資產經營管理有限公司 Wuxi Yuheng Asset Management Co. Ltd.	the PRC 28 October, 2013	Limited liability company	RMB37,707,200	100%	–	Property investment in the PRC
寧波湯仕瑪置業有限公司 Ningbo Tangshima Real Estate Co. Ltd.	the PRC 31 October, 2008	Limited liability company	USD61,643,836	90%	10%	Property development and property investment 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
上海寶龍商業地產管理有限公司 Shanghai Powerlong Commercial Real Estate Management Co., Ltd.	the PRC 29 June, 2007	Limited liability company	RMB5,000,000	100%	–	Property management 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.

41 CHANGE FROM JOINT VENTURES TO SUBSIDIARIES

On 1 January 2018 and 1 July 2018 the joint venture partners of Changying Group and Hangzhou Maohui and its subsidiary ("Maohui Group") have transferred the controlling rights of the jointly controlled projects to the Group respectively. The investments in Changying Group and Maohui Group are deemed as having been disposed of, and were remeasured to fair value at the date of deemed disposal, the resulting gains of RMB11,846,000 from the remeasurements are recognised in the profit or loss in accordance with HKFRS 3 – Business Combinations.

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.

	Changying Group RMB'000	Maohui Group RMB'000	Total RMB'000
Carrying amounts of the Group's investments in respective entities	401,768	195,242	597,010
Fair value gains on the remeasurement of respective entities	4,100	7,746	11,846
Fair value of the investments in respective entities	405,868	202,988	608,856
Recognised amounts of identifiable assets acquired and liabilities assumed			
Property and equipment	1,538	180	1,718
Properties under development	4,264,484	1,567,828	5,832,312
Trade and other receivables	5,145	2,092,978	2,098,123
Prepaid taxes	3,523	75,939	79,462
Prepayments	5,497	1,183	6,680
Cash and cash equivalents	4,204	133,501	137,705
Deferred income tax assets	–	6,420	6,420
Borrowings	–	(810,000)	(810,000)
Deferred income tax liabilities	(735,401)	(317,217)	(1,052,618)
Contract liabilities	–	(1,849,074)	(1,849,074)
Trade and other payables	(2,753,172)	(495,761)	(3,248,933)
Total identifiable net assets	795,818	405,977	1,201,795
Non-controlling interest	(389,950)	(202,989)	(592,939)
Identifiable net assets acquired	405,868	202,988	608,856
Goodwill	–	–	–

The acquired businesses contributed revenues of RMB2,591,890,000 and net profit of RMB410,480,000 to the Group for the period from the respective acquisition dates to 31 December 2018. If the acquisitions had occurred on 1 January 2018, consolidated revenue and consolidated profit of the Group for the year ended 31 December 2018 would have been RMB19,593,790,000 and RMB3,617,877,000 respectively.

42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

Balance sheet of the Company

	Note	31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**6,306,863**	6,306,863
Current assets			
Amounts due from subsidiaries		**15,228,209**	11,198,660
Financial assets at fair value through profit or loss		**26,928**	28,953
Restricted cash		**–**	2,037
Cash and cash equivalents		**234,772**	303,365
		15,489,909	11,533,015
Total assets		**21,796,772**	17,839,878
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**1,164,125**	2,066,162
Accumulated losses	(a)	**(275,269)**	(213,281)
Total equity		**888,856**	1,852,881
LIABILITIES			
Non-current liabilities			
Borrowings		**11,097,129**	8,421,554
Current liabilities			
Other payables and accruals		**320,923**	271,064
Amounts due to subsidiaries		**2,069,150**	1,745,287
Borrowings		**5,677,076**	5,549,092
Convertible bonds		**1,743,638**	–
		9,810,787	7,565,443
Total liabilities		**20,907,916**	15,986,997
Total equity and liabilities		**21,796,772**	17,839,878

The balance sheet of the Company was approved by the Board of Directors on 21 March 2019 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

	Accumulated losses RMB'000
At 1 January 2017	(271,818)
Profit for the year	58,537
As at 31 December 2017	(213,281)
At 1 January 2018	**(213,281)**
Loss for the year	**(61,988)**
As at 31 December 2018	**(275,269)**

43 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 December 2018 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	Total RMB'000
Executive directors					
Mr. Hoi Kin Hong	1,000	–	240	–	1,240
Mr. Hoi Wa Fong	770	16	240	–	1,026
Mr. Xiao Qing Ping	640	26	240	114	1,020
Ms. Shih Sze Ni	520	16	240	–	776
Mr. Zhang Hong Feng	640	96	240	40	1,016
Non-executive directors					
Ms. Hoi Wa Fan	–	–	160	–	160
Independent non-executive directors					
Mr. Ngai Wai Fung	–	–	260	–	260
Mr. Mei Jian Ping	–	–	260	–	260
Mr. Ding Zu Yu	–	–	260	–	260
	3,570	154	2,140	154	6,018

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 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	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

Note:

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 2018 (2017: nil).

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

For the year ended 31 December 2018, the Group did not pay consideration to any third parties for making available directors' services (2017: 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 2018:									
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 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	–	–		

(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 7 January 2019, the Company issued 9.125%, 2-year senior notes, with an aggregated principal amount of US$200,000,000 at 99.331% to the principal amount. The total net proceeds of the notes, after deduction of the issuance costs, amounted to approximately US$195,965,000 (equivalent to approximately RMB1,349,478,000).

On 21 January 2019, the Company issued 5.85%, 270 days short-term commercial paper, with an aggregated principal amount of RMB300,000,000 at 100.00% of the face value.

On 11 February 2019, the Company has redeemed the convertible bonds with an aggregated principal amount of RMB1,791,937,000.

On 5 March 2019, the Company issued 7.20%, 2-year corporate bonds (medium-term commercial paper) with an aggregate principal amount of RMB1,000,000,000 at 100.00% of the face value.

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED BALANCE SHEET

	31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**55,186,910**	50,030,078	42,305,100	34,403,062	29,006,267
Current assets	**76,867,630**	45,460,670	36,822,419	32,259,152	28,147,460
Total assets	**132,054,540**	95,490,748	79,127,519	66,662,214	57,153,727
EQUITY AND LIABILITIES					
Total equity	**32,804,940**	29,474,189	25,940,249	22,758,529	20,609,482
Liabilities					
Non-current liabilities	**40,716,605**	30,513,779	26,531,616	20,491,772	17,689,834
Current liabilities	**58,532,995**	35,502,780	26,655,654	23,411,913	18,854,411
Total liabilities	**99,249,600**	66,016,559	53,187,270	43,903,685	36,544,245
Total equity and liabilities	**132,054,540**	95,490,748	79,127,519	66,662,214	57,153,727

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	**19,593,790**	15,592,641	14,295,617	11,907,300	9,662,995
Cost of sales	**(12,041,179)**	(10,367,557)	(9,517,476)	(7,985,447)	(6,880,023)
Gross profit	**7,552,611**	5,225,084	4,778,141	3,921,853	2,782,972
Fair value gains on investment properties – net	**2,500,520**	2,135,356	1,519,884	1,503,628	599,325
Selling and marketing costs	**(785,914)**	(500,091)	(480,839)	(486,118)	(395,666)
Administrative expenses	**(1,480,700)**	(895,081)	(756,913)	(735,212)	(676,140)
Other income and gains/(losses) – net	**216,369**	558,174	12,200	(149,764)	(120,242)
Operating profit	**8,002,886**	6,523,442	5,072,473	4,054,387	2,190,249
Finance (costs)/income – net	**(1,376,659)**	(572,618)	(678,968)	(364,189)	(30,606)
Share of profit/(loss) of investments accounted for using the equity method	**187,234**	197,359	314,295	157,659	(709)
Profit before income tax	**6,813,461**	6,148,483	4,707,800	3,847,857	2,158,934
Income tax expenses	**(3,165,812)**	(2,280,440)	(1,958,596)	(1,512,768)	(651,340)
Profit for the year	**3,647,649**	3,867,743	2,749,204	2,335,089	1,507,594
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)
Currency translation differences	**15,079**	(16,258)	–	–	–
Items that will not be reclassified to profit or loss:					
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	**158**	–	–	–	–
Total other comprehensive income for the year, net of tax	**15,237**	13,935	11,180	8,549	149,120
Total comprehensive income for the year	**3,662,886**	3,881,678	2,760,384	2,343,638	1,656,714
Profit/(loss) attributable to:					
Owners of the Company	**2,837,007**	3,336,752	2,464,682	2,071,110	1,370,828
Holders of Perpetual Capital Instruments	**123,045**	117,017	145,765	153,100	36,750
Non-controlling interests	**687,597**	413,974	138,757	110,879	100,016
	3,647,649	3,867,743	2,749,204	2,335,089	1,507,594
Total comprehensive income attributable to:					
Owners of the Company	**2,852,244**	3,350,687	2,475,862	2,079,659	1,519,948
Holders of Perpetual Capital Instruments	**123,045**	117,017	145,765	153,100	36,750
Non-controlling interests	**687,597**	413,974	138,757	110,879	100,016
	3,662,886	3,881,678	2,760,384	2,343,638	1,656,714
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)					
– Basic	**70.97**	84.11	62.32	52.41	34.56
– Diluted	**66.40**	84.06	62.22	52.32	34.54

	Year ended 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Proposal final dividends	**812,565**	654,911	572,014	301,397	252,278

Certain figures have been reclassified to conform to the current presentation.

ANNUAL REPORT

POWERLONG 2018

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