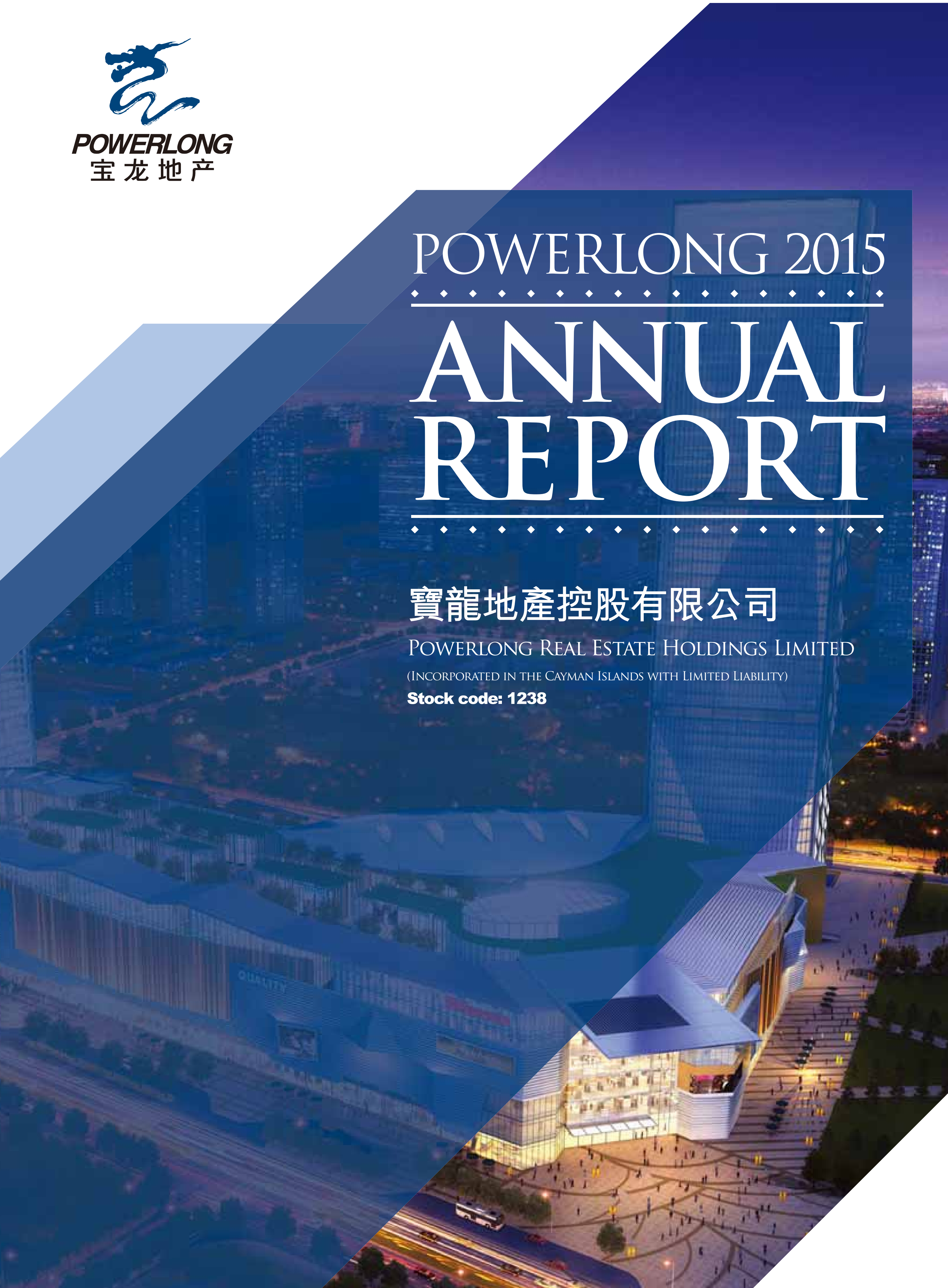
宝龙地产

POWERLONG

POWERLONG 2015 ANNUAL REPORT



寶龍地產控股有限公司

Powerlong Real Estate Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1238

Contents

Group Introduction

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

The Group had 52 real estate projects as at 31 December 2015. Powerlong Plaza which comprises of shopping malls, restaurants, leisure and other recreational facilities has created a unique business model drawing extensive attention and recognition from the government and the public. Each project does not only promote the regional economic development, but also improves the retail facilities of the cities and creates job opportunities. The upgrade of people's living standard is a key driver for city quality improvement.

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

Tianjin Yujiapu Powerlong International Center

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 (appointed on 14 October 2015)
Mr. Guo Jun (retired on 13 October 2015)

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. Yip Yim Ting Fanny (appointed on 14 October 2015)
Ms. Xiao Ying Lin (resigned on 14 October 2015)

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong
Ms. Yip Yim Ting Fanny (appointed on 14 October 2015)

REGISTERED OFFICE

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

PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Bank of Communications Co., Ltd.
The Bank of East Asia
China Minsheng Banking Corp., Ltd.
Bank of Beijing Co., Ltd.
Industrial Bank Co., Ltd.
Hang Seng Bank Limited
China Merchants Bank Co., Ltd.
OCBC Bank
Taiwan First Bank
China CITIC Bank Corporation Limited
Bank of China Limited
China Construction Bank Corporation

AUDITOR

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

HONG KONG LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com

MILESTONES AND AWARDS

FEB

- Successful acquisition of a commercial land parcel in Wujing, Minhang District, Shanghai
- Opening of Qingdao Jiaozhou Powerlong Plaza

MAR

- Citi upgraded the Company's rating to "Buy"

MAY

- Deutsche Bank rated the Company's bonds with a "Buy" rating for the first time
- W Hotel officially entered into an agreement to settle in Xiamen Powerlong One Mall

JUN

- Opening of first self-operated hotel 'POWERLONG Inn. Penglai'

JUL

- Establishment of Powerlong Hotel Group

SEP

- Opening of Zhenjiang Powerlong Plaza
- Opening of first 'ARTELS' at Fujian Anxi

NOV

- Successful acquisition of a commercial land parcel in Baoyang Road, Baoshan District, Shanghai
- Successful issuance of USD200 million 3-year senior notes
- Opening of Shanghai Fengxian Powerlong Plaza

DEC

- Successful acquisition of a commercial land parcel in Jiuting, Songjiang District, Shanghai*
- Approval from China Securities Regulatory Committee for public issuance of corporate bonds with fair value of up to RMB4 billion by a wholly-owned subsidiary of the Company
- Opening of Shanghai Baoshan Powerlong Plaza
- Opening of Shanghai Lingang Powerlong Plaza
- Opening of Shanghai Hongqiao Powerlong Tiandi Commercial Street
- Opening of Hangzhou Fuyang Powerlong Plaza
- Trial operation of Hangzhou Xiaoshan Powerlong Plaza

* The land parcel is held by a project company of which the Group holds 33% equity interests.

CORPORATE AWARDS

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

- 2015 Top 100 China Real Estate Companies: Top 100 China Real Estate Companies for 10 consecutive years (2006-2015)
- 2014-2015 Annual Social Responsibility Enterprise of China Real Estate
- 2015 Top 100 China Real Estate Companies
- 2015 China Outstanding Commercial Real Estate Company
- Powerlong Real Estate: awarded Top 10 Brands of China Commercial Real Estate Companies in 2015 for 5 consecutive years
- Powerlong Plaza: awarded Top 10 Brands of China Commercial Real Estate in 2015 for 6 consecutive years

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

- 2015 Top 10 Commercial Real Estate of China Real Estate Companies
- 2015 Top 50 China Real Estate Development Companies
- 2015 Top 10 China Real Estate Development Companies in Shanghai
- 2015 Top 50 China Real Estate Listed Companies in Comprehensive Strength
- 2015 Top 5 China Fast-growing Real Estate Listed Companies
- 2015 Top 50 Brands of China Real Estate Development Companies
- 2015 Top 10 Brands of Commercial Real Estate of China Real Estate Companies
- 2015 Top 50 Brands of China Property Management Enterprises
- 2015 Best Employer in the Real Estate Industry of China

MEDIA AWARDS

- 2015 Regional Real Estate with Benchmarking Value – Qibao Powerlong City (awarded by people.cn)
- Enterprise with the Greatest Value – Powerlong Real Estate (awarded by people.cn)
- 2015 Top 100 China's City Operators (awarded by House.china.com.cn)
- 2015 China Real Estate Annual Red List – The most Dedicated Commercial Property Developer (awarded by House.china.com.cn)
- 2015 City Development Contribution Award – Powerlong Real Estate (awarded by NetEase)
- 2015 Top 10 Leading Enterprises – Powerlong Real Estate (awarded by Sohu)
- 2015 Best Commercial Developer (awarded by www.guandian.cn)
- The most Influential Commercial Real Estate Operator in China of 2015 (awarded by www.guandian.cn)
- 2015 China's Blue Chip Real Estate Enterprise (awarded by The Economic Observer)
- 2015 China Commercial Real Estate Value List – Annual Excellent Company (awarded by The Economic Observer)
- 2015 Property Enterprise of Value (awarded by National Business Daily)
- 2015 Commercial Property with the Most Value (awarded by National Business Daily)

PERSONAL AWARDS GAINED BY MR. HOI KIN HONG

- 2015 Top 100 China Real Estate Entrepreneur
- 2015 Contributor to Real Estate Brands in China
- Award for Outstanding Contribution by Overseas Chinese of Fujianese Origin in Public Welfare Undertakings

PERSONAL AWARDS GAINED BY MR. HOI WA FONG

- Person of the Year in China Commercial Real Estate Value List 2015
- 2015 Time-weekly's China Real Estate Oscar – Top 10 People of the Year
- 2015 Leaders of the Year – Hoi Wa Fong

CHAIRMAN'S STATEMENT

HOI KIN HONG

Chairman

Dear Shareholders,

On behalf of the Board of Directors of Powerlong Real Estate Holdings Limited, I am pleased to present to all shareholders the audited annual results of the Group for the year ended 31 December 2015. During the year under review, the Group realized a revenue of RMB11.91 billion and net profit of RMB2.34 billion, representing a year-on-year increase of approximately 23.2% and 54.9% respectively. Basic earnings per share was RMB52.4 cents. The Board recommends the payment of a final dividend of HK$9.0 cents per share for the year of 2015.

MARKET REVIEW

In 2015, the PRC central government adhered to its overarching message of seeking progress in stability in light of the global economic slowdown and implemented a series of innovative marco-control policies targeted at steady growth to buoy up the economy within a reasonable level and unceasingly improve people's livelihood. With respect to PRC real estate market, under the principle of "reducing inventories", the central and local government had carried out various supportive policies to lower costs of home purchases and encourage demand for better housing. Stimulated by relaxed policies, real estate market in first-tier and second-tier cities in the PRC were making remarkable recovery, whereas third-tier and fourth-tier cities were still under rather considerable inventory pressure.

CONTRACTED SALES HITTING ANOTHER RECORD HIGH

The Group adhered to the development strategy of "Focus on Shanghai and Intensive Development in Yangtze River Delta" in order to accurately adapt itself along the market trend under such complicated and dynamic market environment. Under the year's operating strategy of "Reducing Inventories, Enhancing Efficiency, Becoming Benchmark, Creating Breakthroughs", contracted sales once again hit a record high of RMB14.3 billion. The remarkable sales performance proved the effectiveness of the measures adopted by the Group for boosting sales such as marketing team recomposition, additional marketing standards and maximized application of we media.

Projects such as Tianjin Binhai, Anhui Fuyang*, Shanghai Hongqiao Powerlong City, Shanghai Qibao, Xiamen Powerlong One Mall and Shanghai Fengxian received enthusiastic reception. An aggregate of over 3,600 residential units at Tianjin Binhai Project were sold, amounting to over RMB2 billion. The Anhui Fuyang Project* has sold over 3,000 suites since commencement of sale, accumulating a sales volume of over RMB2 billion. Success of the abovementioned projects is strong evidence of the effectiveness and feasibility of the Group's strategy in developing tailor-made projects based on different market conditions.

* The project is held by a joint venture. The Group holds 45.9% of such joint venture.

FOCUSING ON SHANGHAI AND STRENGTHENING STRATEGIC COVERAGE IN YANGTZE RIVER DELTA

The Group adhered to the development strategy of "Focus on Shanghai", refines planning and sought opportunities in a cautions and stringent manner to obtain quality lands. During the year under review, the Group continued to uphold its low-cost strategy of land bank in acquiring lands and obtained the land parcels located at Wujing, Minhang District, Shanghai, Baoyang Road, Baoshan District, Shanghai, and Jiuting, Songjiang District, Shanghai** to further consolidate its land bank in Shanghai. As of 2015, the Group clearly illustrated the strategic coverage of 11 projects located in the eastern, western, southern and northern part of Shanghai, building a solid foundation for our focus on Shanghai as well as further improving our competitiveness. According to data released by CRIC, the Group ranked first in Shanghai commercial property market both in terms of sales amount and sales area in 2015.

As of 31 December 2015, the total gross floor area ("GFA") of the Group's land bank was 12.1 million square meters (including investment properties in operation with total GFA of approximately 2.1 million square meters) which is sufficient for the development of the Group in the next 3 to 5 years. From the perspective of the geographical location of the Group's land bank, current land bank in first-tier and second-tier cities represents 63.3% of the Group's land bank under development and held for future development. Therefore, we are confident that our quality land resources will continuously drive the Group's long-term and healthy development.

** The land parcel is held by a project company of which the Group holds 33% equity interests.

BUSINESS OPERATION HIGHLIGHTING CORE COMPETITIVENESS

During the year under review, the Commercial Group under the Group has completed the unprecedented intensive commencement missions. Effective leasing processes and powerful preparation and organization secured the opening of seven Powerlong Plazas. In particular, the intensive opening of Shanghai Hongqiao Powerlong Tiandi Commercial Street, Shanghai Fengxian Powerlong Plaza, Shanghai Lingang Powerlong Plaza and Shanghai Baoshan Powerlong Plaza in December 2015 had attracted public attention within the regions. As of 2015, the number of shopping malls currently operated and managed by the Group has reached 25, allowing us to outperform other industry players in terms of quantity and area of projects. Among which, Shanghai Lingang Powerlong Plaza achieved an occupancy rate of 90%, while Shanghai Fengxian Project recorded a customer traffic of 500,000 within 3 days upon its opening. The outstanding opening performance of the newly operated projects realized the core business competitiveness of the Group as the whole.

The abovementioned Powerlong Plazas have been built with sufficient consideration of the characteristics of local markets. Featuring five major themes of "Gourmet Dining, Community Supporting Facilities, Shopping and Leisure, Entertainment for Children, and Medical Cosmetology", Shanghai Hongqiao Powerlong Tiandi adheres to the operational philosophy of "A City of Healthy Life with a Good Neighbour Powerlong" and integrates with the community of Hongqiao Powerlong City, improving life quality of the people in the region in an all-round way. In proximity to Lingang public transport hub, Shanghai Lingang Project has introduced international brands such as H&M and the only IMAX theater into Pudong Lingang for the first time, meeting the needs of local families of upgrading lifestyle quality. Shanghai Baoshan Project is the first community and commercial complex in the area. By adhering to the brand concept of "Powerlong Plaza Makes Life More Beautiful", Baoshan Powerlong Plaza, having introduced a variety of business formats including international fast fashion brands, star cinema, children's theme park, video games, featured gourmet dining, and retail, is the modernist and trendiest landmark in Baoshan Luodian.

Having entered into commercial real estate industry for 12 years, the Group has been awarded TOP 10 Brands of China Commercial Real Estate Companies for five consecutive years. Powerlong Plazas operated by the Group have been awarded "TOP 10 Brands of China Commercial Real Estate" for six consecutive years. In 2015, the Group recorded rental income and property management services income of RMB1.1 billion, representing an increase of 20.7% over last year, highlighting the solid foundation of business operation as the Group's core competitiveness.

UPGRADED BONDS RATING RESULTING FROM EFFICIENT FINANCING

The consolidated finance costs of the Group further decreased from 8.05% as of 2014 and 7.68% as of the first half of 2015 to 7.55% as of 2015. In November 2015, the Company issued 7.625% USD200 million senior notes with a maturity of three years, of which proceeds were used for the early redemption of 11.25% USD250 million senior notes due 2018 in January 2016, hence successfully replaced past debts with high interest rate through quality low-interest financing. Furthermore, the Company has realized diversification in financing channels. Shanghai Powerlong Industrial Development Co., Ltd., a wholly-owned subsidiary of the Company, has obtained approval from the CSRC to publicly issue corporate bonds with an aggregate principal amount of up to RMB4.0 billion in December 2015. As of the date of this annual report, together with the non-public issue of corporate bonds of RMB1.0 billion, the Group has completed the issuance of a total of RMB4.2 billion corporate bonds.

In optimizing the debt structure, the Group, benefitted from improved results, reached breakthrough in ratings at capital market. In January 2016, Moody's officially upgraded the outlook of the Company and its bonds from "Stable" to "Positive", representing a public recognition of Powerlong's performance in recent years by the capital market.

As of 31 December 2015, cash and cash equivalents and restricted cash of the Group increased by approximately 35.9% to RMB6.7 billion as compared to the year end of 2014.

PROMOTION OF DIVERSIFICATION STRATEGY

The Group's Powerlong Hotel Group was officially established in July 2015, the core businesses of which are international brand hotels, own brand chain hotels and own brand chain restaurants, representing an important part of a series of adjustments concerning innovation and upgrading since the listing of the Company. In 2015, Powerlong Hotel Group has opened five hotels and launched mode of artistic hotels, among which "ARTELS", the urban business hotel under Powerlong Hotel Group, made its debut in Anxi, Fujian in September 2015. Powerlong Hotel Group launched also its own brand chain restaurants "Zhaojiazhuang" and "Shuyushuyu", of which four outlets were opened as at the date of this annual report. The establishment of Powerlong Hotel Group symbolized the start of own brand hotels and restaurants of the Company.

As for investment, the Group has participated in the capital increase of Shanghai Life Insurance Company Ltd. in December 2015 to attempt for providing favorable conditions for the Company to expand into other sectors by insurance funds. The capital investment of the Group continues to develop healthily.

PRAGMATIC AND STREAMLINED MANAGEMENT TO ACHIEVE SYNERGY AND PERFECTION

During the year under review, the Group, in response to the consolidation of the real estate industry in China, had undergone extensive structural optimization by integrating technology, costs and operation centers into a large operation platform run by the Deputy Chief Executive Officer to magnify synergy effect and flatten management. Under simplified, synergized and refined guidance, the Group continued to ascertain the management functions of each center in the second half of the year, enabling itself to realize more straightforward and unified control over each projects, reduce internal consumption and achieve mutual synergy.

OUTLOOK

For the year 2016, while the PRC central government strives for stable progress, continuously implementing and improving macroeconomic policies to sustain mid-high economic growth, it is expected that policies will remain relaxed, which in turn shall facilitate the stable and healthy development of real estate industry despite the future new norm of long-term adjustment in the property market. Further, to realize rapid urbanization and improvement of people's living standard and quality under the 13th Five Year Plan, it is anticipated that the central and local government will formulate policies depending on the situation of each city and keep unleashing demand for better housing in 2016.

Hence, the Group focuses on its own development and comes up with a "Five-Year Plan" according to the current national and foreign economic condition to draw up concrete blueprint for development in 2016-2020. The "Five-Year Plan" suggests a business property strategy of "Three-Incentive" on the main business segment for the Group to succeed in business operation, quality property provision and asset management. Identifying hotels, culture and investment as the supplementary segments of the Group, the strategy, on one hand, promotes the principles of profit-making, synergy and energy, ranked in order of importance, for creating greater value for the Group; on the other, offers the strategic factors of "Focus, Quality and Capital", which are interpreted as firmly focusing on the Yangtze River Delta where Shanghai is the core, enhancing the quality of our products and services comprehensively and strengthening market value management to improve returns to shareholders.

To prepare for new opportunities in 2016, the Group establishes a policy of "Strong Consensus, Quality Breakthrough, Effective Operation and Team Recomposition", striving for perfection and thorough capacity building to upgrade the Group's brand image. With the aim of realizing the successful opening of two benchmark projects in Shanghai Qibao and Hangzhou Binjiang in 2016, the Group will make every effort to strengthen its leading position in Shanghai and in the area of commercial properties, so as to maximize returns for its shareholders in the long run.

In view of the current development of the PRC property market, inventory reduction will remain the main marketing focus of the Group in 2016. The Group is confident in completing the goal of a further increase in sales targets of RMB15,000 million in 2016, representing a year-on-year increase of 15.4%. The Group will continue to reorganize the marketing team thoroughly, and define the management mechanism and allocation of VIP department, channel department and leasing department. Focusing on the Group's objective of commercial and office business, the Group will innovate in commercial sales mode and change the practice of lump-sum lease and sales of commercial buildings in line with its large-scale products. Customer experience program will be activated in Shanghai to diversify marketing channels, perfect customer system and achieve sales breakthrough.

"Delivery of Quality Products, Efficiency Enhancement and Launch of Benchmark Projects" is the business strategy of the Group in 2016. Stressing the importance of delivering quality products, the Group will strictly monitor the quality of the newly commenced projects. The Group will also comprehensively enhance efficiency by firmly and effectively implementing upgrade plans for all operating projects. In the meantime, the Group will systematically commence various projects with higher efficiency, so as to ensure leasing processes and opening of five commercial plazas in 2016, particularly the successful opening of two benchmark projects in Shanghai Qibao and Hangzhou Binjiang.

In early 2016, the headquarters of the Group has been relocated at the Shanghai Qibao Project. In addition to highlighting the development strategy of "Focusing on Shanghai" and building a solid foundation for future projects, it is also a benchmark event which indicates the success of adopting the overall development strategy by relocating its headquarter from Xiamen to Shanghai in 2010. This will significantly promote the Group's brand image.

Facing the 2016 with mixed challenges and chances, the Group will, despite all the difficulties, make collective efforts on grasping opportunities and making prudent arrangements for sustaining healthy development. It will also promote thorough capacity building to upgrade our brand image and strengthen the coverage in Shanghai to secure our leading position in the area of commercial properties and continue to provide cost effective properties and lifestyle experience for a broad range of customers.

APPRECIATION

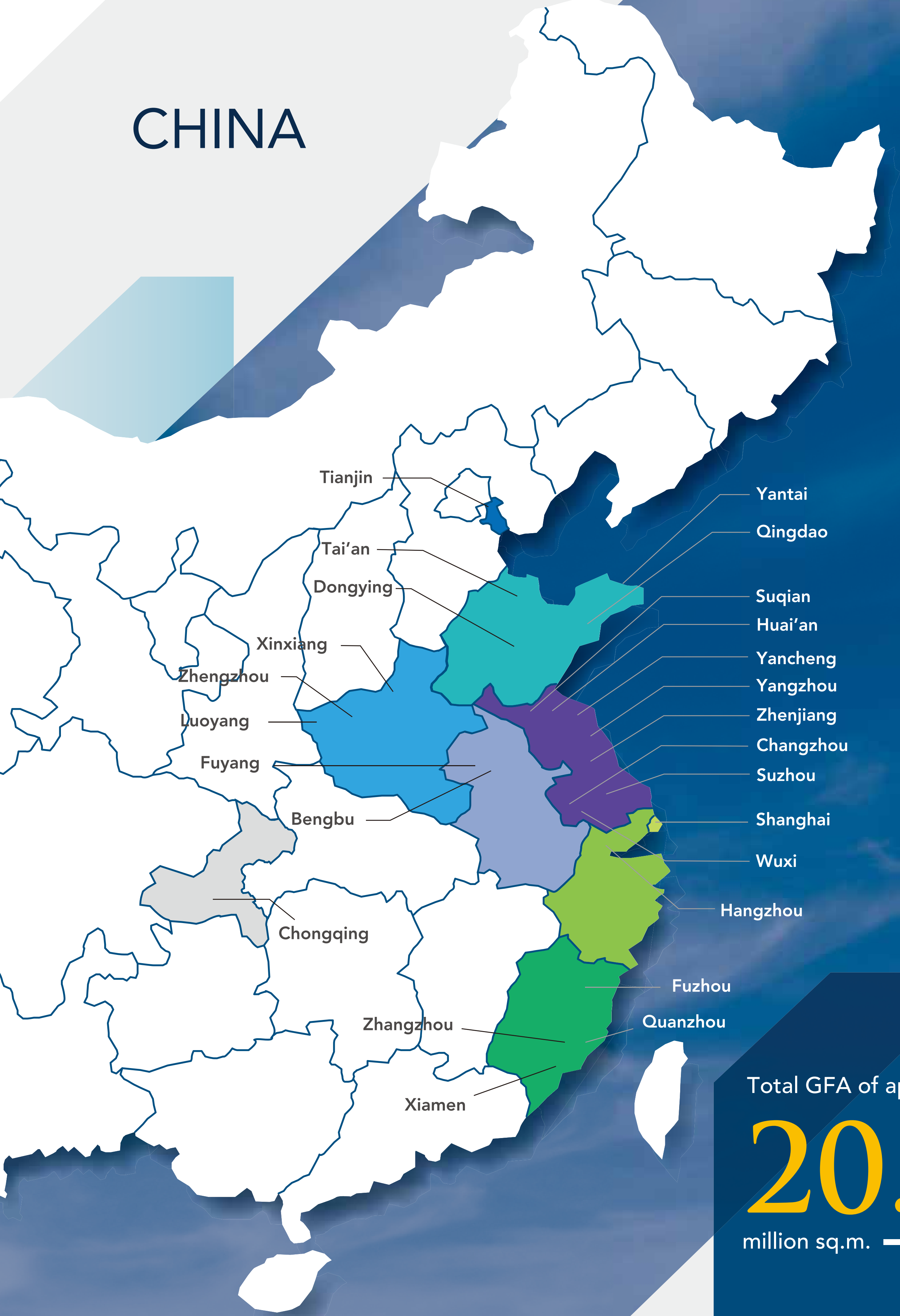
The steady growth of the Group is attributable to the enormous support from the relevant parties for years. On behalf of the Board, I would like to take this opportunity to express its sincere gratitude to the Group's investors, business partners and customers for their continuous trust and support.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

Hoi Kin Hong
Chairman

15 March 2016

OVERVIEW OF BUSINESS

CHINA



Total GFA of approximately

20.4

million sq.m.

OVERVIEW

Property Development

As at 31 December 2015, the Group had 52 property development projects which are at different phases of development. The Group currently has 18 fully completed projects, among which 5 of them are located in Fujian Province, 5 in Shandong Province, 3 in Jiangsu Province, 1 in Zhejiang Province, 1 in Henan Province, 1 in Anhui Province and 2 in Shanghai Municipality. The Group had 34 projects under development or held for future development, among which 9 are located in Shanghai Municipality, 5 in Shandong Province, 6 in Jiangsu Province, 4 in Fujian Province, 3 in Zhejiang Province, 3 in Tianjin Municipality, 2 in Henan Province, 1 in Anhui Province and 1 in Chongqing Municipality.

Property Investment

As at 31 December 2015, the Group held investment properties, mainly shopping malls, with a total GFA of approximately 3,014,349 square meters. These shopping malls are mainly located at Shanghai Municipality; Wuxi, Changzhou, Suqian and Yancheng in Jiangsu Province; Hangzhou in Zhejiang Province; Fuzhou, Jinjiang and Anxi in Fujian Province; Tai'an and Qingdao (including Chengyang, Licang and Jimo) in Shandong Province; Zhengzhou, Luoyang and Xinxiang in Henan Province; Bengbu in Anhui Province; and Chongqing Municipality.

Property Management

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

Hotel Development

The Group continued to develop its hotel business as its long-term recurring income stream. The Group's Powerlong Hotel Group was officially established in July 2015, the core businesses of which are international brand hotels, own brand chain hotels and own brand chain restaurants. As of 31 December 2015, the Group owned seven international brand hotels, namely Four Points by Sheraton Qingdao, Four Points by Sheraton Tai'an, Four Points by Sheraton Taicang, Aloft Haiyang, Aloft Yancheng, Days Hotel Powerlong Chongqing and Radisson BLU Shanghai Pudong Jinqiao, three own brand chain hotels, namely ARTELS Qingdao, ARTELS Anxi and POWERLONG Inn. Penglai, and two own brand chain restaurants.

GFA (AS AT 31 DECEMBER 2015)

As at 31 December 2015, the development status of the property projects of the Group was as follows:

Province and 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 City	Commercial	381	232	148	–
	Shanghai Hongqiao Powerlong Tiandi	Commercial/Residential	320	124	196	–
	Shanghai Jiading Powerlong Plaza	Commercial	193	–	193	–
	Shanghai Fengxian Powerlong Plaza	Commercial	179	179	–	–
	Shanghai Baoshan Powerlong Plaza	Commercial	36	–	36	–
	Shanghai Caolu Powerlong Plaza	Commercial	168	168	–	–
	Shanghai Lingang Powerlong Plaza	Commercial	87	71	16	–
	Shanghai QingPu Powerlong Plaza	Commercial	347	–	347	–
	Shanghai Wujing Powerlong Plaza	Commercial	93	–	93	–
	A parcel of land located at Baoyang Road, Baoshan District, Shanghai	Commercial	268	–	–	268
	A parcel of land located at Jiuting, Songjiang District, Shanghai*	Commercial	302	–	–	302
Sub-total			2,373	775	1,029	570
Jiangsu Province	Suqian Powerlong Plaza	Commercial/Residential	486	486	–	–
	Changzhou Powerlong Plaza	Commercial/Residential	1,054	369	265	420
	Yangzhou Powerlong Golden Wheel Plaza**	Commercial/Residential	235	–	235	–
	Wuxi Wangzhuang Powerlong Plaza	Commercial/Residential	287	287	–	–
	Wuxi Yuqi Powerlong Riverside Garden	Commercial/Residential	351	224	80	47
	Zhenjiang Powerlong Plaza	Commercial/Residential	357	59	254	43
	Huai'an Powerlong Plaza	Commercial	154	–	33	121
	Yancheng Powerlong Plaza	Commercial/Residential	495	495	–	–
	Suzhou Taicang Powerlong Plaza	Commercial/Residential	289	266	–	22
Sub-total			3,706	2,186	867	653
Zhejiang Province	Hangzhou Fuyang Powerlong Plaza	Commercial/Residential	193	193	–	–
	Hangzhou Xiasha Powerlong Plaza	Commercial/Residential	354	226	128	–
	Hangzhou Binjiang Powerlong City	Commercial	397	–	256	141
	Hangzhou Xiaoshan Powerlong Plaza**	Commercial	223	–	223	–
Sub-total			1,167	418	608	141
Anhui Province	Fuyang Powerlong Plaza**	Commercial/Residential	762	–	762	–
	Bengbu Powerlong Plaza	Commercial/Residential	499	499	–	–
Sub-total			1,260	499	762	–
Tianjin Municipality	Tianjin Yujiapu Powerlong International Center**	Commercial/Residential	359	197	162	–
	Tianjin North Green Area	Commercial	110	–	–	110
	Tianjin Binhai Powerlong City	Commercial/Residential	759	–	664	94
Sub-total			1,228	197	826	204
Shandong Province	Dongying Powerlong Plaza	Commercial/Residential	463	–	244	218
	Qingdao Jimo Powerlong Plaza	Commercial/Residential	618	618	–	–
	Tai'an Powerlong Plaza	Commercial/Residential	284	284	–	–
	Yantai Haiyang Powerlong City	Commercial/Residential	935	139	–	796
	Yantai Laishan Powerlong Plaza	Commercial/Residential	172	47	125	–
	Yantai Penglai Powerlong Plaza	Commercial/Residential	354	146	170	37
	Jiaozhou Powerlong Plaza	Commercial/Residential	335	335	–	–
	Jiaozhou Powerlong City	Commercial/Residential	377	–	377	–
	Qingdao Chengyang Powerlong Plaza	Commercial/Residential	707	707	–	–
	Qingdao Licang Powerlong Plaza	Commercial/Residential	369	369	–	–
Sub-total			4,612	2,644	917	1,051
Henan Province	Xinxiang Powerlong Plaza	Commercial/Residential	1,296	486	295	515
	Luoyang Powerlong Plaza	Commercial/Residential	1,371	1,067	122	181
	Zhengzhou Powerlong Plaza		252	252	–	–
Sub-total			2,918	1,804	417	697

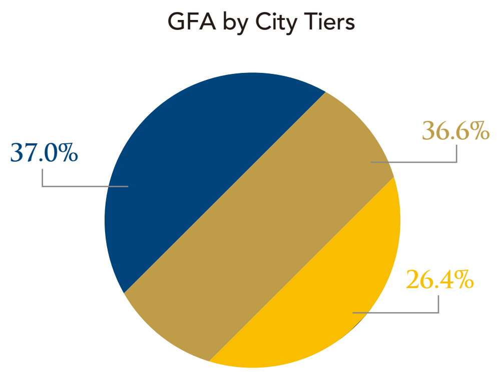
* This land parcel is held by a project company of which the Group holds 33% equity interests.

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

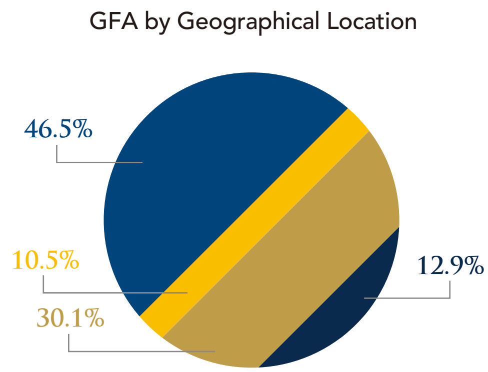
Province and municipality	Project	Type	Total GFA ('000 sq.m.)	Properties completed ('000 sq.m.)	Properties under development ('000 sq.m.)	Properties held for future development ('000 sq.m.)
Chongqing Municipality	Chongqing Hechuan Powerlong Plaza	Commercial/Residential	621	451	158	12
Sub-total			621	451	158	12
Fujian Province	Xiamen Powerlong One Mall	Commercial	383	–	383	–
	Xiamen Powerlong Lakeside Mansions	Commercial/Residential	78	78	–	–
	Quanzhou Anxi Powerlong Plaza	Commercial/Residential	332	332	–	–
	Quanzhou Jinjiang Powerlong Golden Jiayuan	Commercial/Residential	144	144	–	–
	Quanzhou Yongchun Powerlong Plaza	Residential	380	172	169	39
	Quanzhou Anhai Powerlong Haoyuan	Residential	54	54	–	–
	Quanzhou Jinjiang Powerlong Plaza	Commercial/Residential	820	479	128	213
	Zhangzhou Yunxiao General Avenue No.1	Commercial/Residential	111	–	111	–
	Fuzhou Powerlong Plaza	Commercial	218	218	–	–
Sub-total			2,520	1,477	792	251
Total			20,406	10,255	6,572	3,580

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

LAND BANK FOR DEVELOPMENT (AS AT 31 DECEMBER 2015)[NOTE]



City Tiers	GFA '000 square meters	Percentage
First-Tier Cities	2,629	26.4
Second-Tier Cities	3,641	36.6
Third/Fourth-Tier Cities	3,685	37.0
Total	9,955	100



Geographical Location	GFA '000 square meters	Percentage %
Yangtze River Delta	4,629	46.5
Bohai Rim	2,999	30.1
West Strait Economic Zone	1,043	10.5
Central and Western Region	1,284	12.9
Total	9,955	100

Note: In addition to land bank for development (including land bank under development and held for future development), the Group owned investment properties in operation of approximately 2.1 million square meters, which adds up to a total GFA of land bank of approximately 12.1 million squares meters as at 31 December 2015.

SHOPPING MALLS IN OPERATION

SHANGHAI FENGXIAN POWERLONG PLAZA

SHANGHAI

Shanghai Baoshan Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately 11,000 square meters [Note]

Shanghai Lingang Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately 20,000 square meters [Note]

Shanghai Fengxian Powerlong Plaza

Opening Date:
November 2015

Operating Area:
Approximately 40,000 square meters [Note]

Shanghai Caolu Powerlong Plaza

Opening Date:
December 2013

Operating Area:
Approximately 32,000 square meters [Note]

JIANGSU PROVINCE

SUQIAN POWERLONG PLAZA

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 Powerlong Plaza

Opening Date:
October 2010

Operating Area:
Approximately 106,000 square meters [Note]

Note: Underground parking spaces excluded.

SHOPPING MALLS IN OPERATION

QUANZHOU ANXI POWERLONG PLAZA

FUJIAN PROVINCE

Jinjiang
Powerlong Plaza

Opening Date:
December 2013

Operating Area:
Approximately 99,000 square meters [Note]

Quanzhou Anxi
Powerlong Plaza

Opening Date:
December 2011

Operating Area:
Approximately 55,000 square meters [Note]

Fuzhou
Powerlong Plaza

Opening Date:
April 2007

Operating Area:
Approximately 95,000 square meters [Note]

HANGZHOU XIASHA POWERLONG PLAZA

ZHEJIANG PROVINCE

Hangzhou Fuyang
Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately 22,000 square meters [Note]

Hangzhou Xiaoshan
Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately 64,000 square meters [Note]

Hangzhou Xiasha
Powerlong Plaza

Opening Date:
November 2014

Operating Area:
Approximately 31,000 square meters [Note]

Note: Underground parking spaces excluded.

HENAN PROVINCE

ZHENGZHOU POWERLONG PLAZA

Xinxiang
Powerlong Plaza

Opening Date:
September 2012

Operating Area:
Approximately 90,000 square meters [Note]

Luoyang
Powerlong Plaza

Opening Date:
December 2011

Operating Area:
Approximately 133,000 square meters [Note]

Zhengzhou
Powerlong Plaza

Opening Date:
December 2009

Operating Area:
Approximately 108,000 square meters [Note]

TIANJIN

TIANJIN YUJIAPU POWERLONG INTERNATIONAL CENTER

Tianjin Yujiapu
Powerlong International Center

Opening Date:
December 2014

Operating Area:
Approximately 45,000 square meters [Note]

Note: Underground parking spaces excluded.

SHOPPING MALLS IN OPERATION

SHANDONG PROVINCE

QINGDAO JIAOZHOU POWERLONG PLAZA

Qingdao Jiaozhou Powerlong Plaza

Opening Date:
February 2015

Operating Area:
Approximately 68,000 square meters Note

Tai'an Powerlong Plaza

Re-opening Date:
September 2012

Operating Area:
Approximately 49,000 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 107,000 square meters Note

Qingdao Chengyang Powerlong Plaza

Opening Date:
October 2009

Operating Area:
Approximately 215,000 square meters Note

QINGDAO LICANG POWERLONG PLAZA

Note: Underground parking spaces excluded.

BENGBU POWERLONG PLAZA

ANHUI PROVINCE

Bengbu
Powerlong Plaza

Opening Date:
December 2009

Operating Area:
Approximately 196,000 square meters [Note]

CHONGQING

Chongqing Hechuan
Powerlong Plaza

Opening Date:
December 2014

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

CHONGQING HECHUAN POWERLONG PLAZA

Note: Underground parking spaces excluded.

HOTELS

FOUR POINTS BY SHERATON QINGDAO

SHANDONG PROVINCE

ARTELS Qingdao

Opening Date:
June 2015
Number of Rooms (Suites):
170
Address:
No. 689, Qingshan Road,
Licang District, Qingdao,
Shandong Province, China

POWERLONG Inn. Penglai

Opening Date:
May 2015
Number of Rooms (Suites):
202
Address:
6, Haibin Road,
Penglai, Yantai,
Shandong Province, China

Aloft Haiyang

Opening Date:
July 2011
Number of Rooms (Suites):
145
Address:
Powerlong City,
West Haibin Road, Haiyang,
Yantai, Shandong Province, China

Four Points by Sheraton Qingdao

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. 888 East Huanshan Road,
Taishan District, Tai'an,
Shandong Province, China

ALOFT YANCHENG

JIANGSU PROVINCE

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:
July 2010

Number of Rooms (Suites):
446

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

RADISSON BLU SHANGHAI PUDONG JINQIAO

SHANGHAI

Radisson BLU Shanghai Pudong Jinqiao

Opening Date:
December 2015

Number of Rooms (Suites):
196

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

FUJIAN PROVINCE

ARTELS Anxi

Opening Date:
September 2015

Number of Rooms (Suites):
98

Address:
17, Jianan Avenue, Chengxiang,
Anxi, Quanzhou, Fujian Province, China

ARTELS ANXI

DAYS HOTEL POWERLONG CHONGQIAO

CHONGQING

Days Hotel Powerlong Chongqiao

Opening Date:
December 2015

Number of Rooms (Suites):
242

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

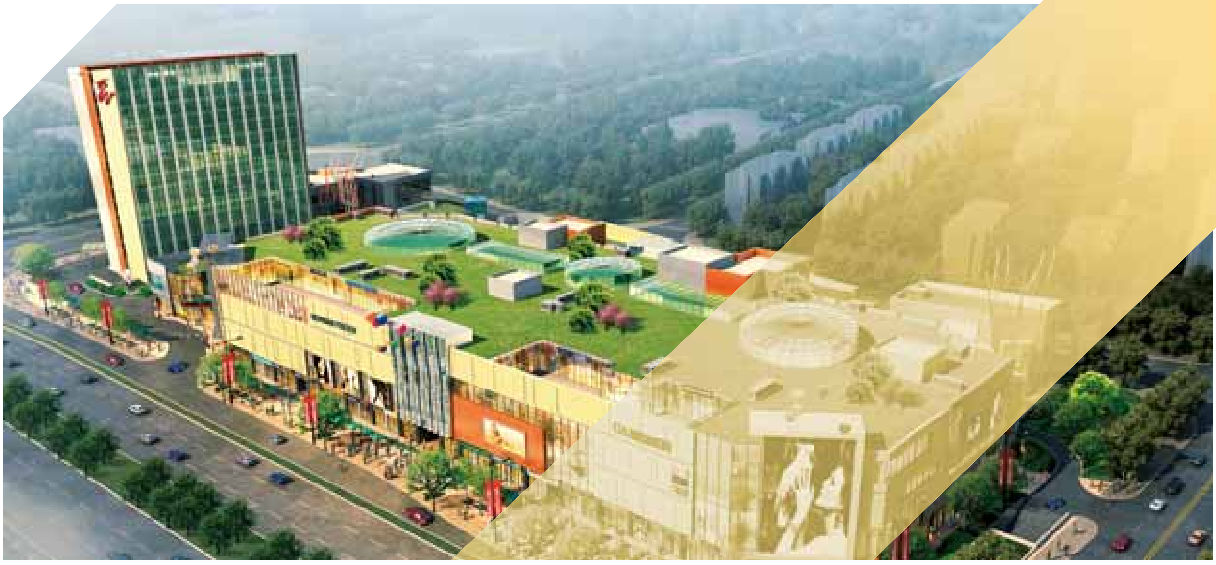
Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 December 2015, the Group conducted its business activities in the following major business segments, namely (i) property development, (ii) property investment, (iii) property management services, and (iv) other property development related services. During the year under review, property development remained the main revenue stream of the Group.

The Group adhered to the development strategy of "Focus on Shanghai and Intensive Development in Yangtze River Delta" in order to accurately adapt itself along the market trend under such complicated and dynamic market environment. Under the year's operating strategy of "Reducing Inventories, Enhancing Efficiency, Becoming Benchmark, Creating Breakthroughs", the Group recorded satisfactory results for the year under review.

HOI WA FONG
CEO



Property Development

For the year ended 31 December 2015, the contracted sales of the Group reached approximately RMB14,305 million (2014: RMB10,648 million), representing an increase of approximately 34.3% as compared with the corresponding period in 2014. In 2015, the contracted sales area of the Group amounted to approximately 1,532,013 square meters (2014: 1,208,555 square meters), representing a year-on-year increase of approximately 26.8% over 2014.

With the combination of the various development strategies adopted by the Group, the Group's contracted sales as at 31 December 2015 once again hit a record high. During the year under review, the key contributing projects were located in Tianjin Binhai, Anhui Fuyang, Shanghai Hongqiao Powerlong City, Shanghai Qibao, Xiamen Powerlong One Mall and Shanghai Fengxian.

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

Distribution	FY 2015 Sales area sq.m.	FY 2015 Sales area RMB'000	FY 2015 Average selling price RMB/sq.m.
Commercial	522,698	8,255,071	15,793
Residential	1,009,315	6,049,458	5,994
Total	1,532,013	14,304,529	9,337

During the year under review, the remarkable sales performance proved the effectiveness of the measures adopted by the Group for boosting sales such as marketing team recomposition, additional marketing standards and maximized application of "we media". The enthusiastic reception of projects such as Tianjin Binhai, Anhui Fuyang, Shanghai Hongqiao Powerlong City, Shanghai Qibao, Xiamen Powerlong One Mall and Shanghai Fengxian is a strong evidence of the effectiveness and feasibility of the Group's strategy in developing taitor-made projects based on different market conditions.

Investment Properties and Property Management Services

To generate a stable and recurring income, the Group also retained and operated certain commercial properties, principally including shopping malls, for leasing. As at 31 December 2015, the Group had an aggregate GFA of approximately 3,014,349 square meters (2014: 2,832,095 square meters) held as investment properties (including investment properties completed and under construction), representing an increase of approximately 6.4% as compared with 2014.

During the year under review, the Group has completed the unprecedented intensive commencement mission. The seven property projects, namely Shanghai Fengxian Powerlong Plaza, Shanghai Lingang Powerlong Plaza, Shanghai Baoshan Powerlong Plaza, Hangzhou Xiaoshan Powerlong Plaza, Hangzhou Fuyang Powerlong Plaza, Zhenjiang Powerlong Plaza and Qingdao Jiaozhou Powerlong Plaza, which are operated by the Group, commenced operation successively in 2015. Among which, Shanghai Lingang Powerlong Plaza achieved an occupancy rate of 90%, while Shanghai Fengxian Project recorded a customer traffic of 500,000 within 3 days upon its opening.

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

Hotel Development

The Group continued to develop its hotel business as its long-term recurring income stream. The Group's Powerlong Hotel Group was officially established in July 2015, the core businesses of which are international brand hotels, own brand chain hotels and own brand chain restaurants. As of 31 December 2015, the Group owned seven international brand hotels, namely Four Points by Sheraton Qingdao, Four Points by Sheraton Tai'an, Four Points by Sheraton Taicang, Aloft Haiyang, Aloft Yancheng, Days Hotel Powerlong Chongqing and Radisson BLU Shanghai Pudong Jinqiao, three own brand chain hotels, namely ARTELS Qingdao, ARTELS Anxi and POWERLONG Inn. Penglai, and two own brand chain restaurants.

Land Bank Replenishment

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

As at 31 December 2015, the Group had a quality land bank amounting to a total GFA of approximately 12.1 million square meters, of which approximately 6.4 million square meters were properties under development and construction, approximately 3.6 million square meters were properties held for future development and approximately 2.1 million square meters were malls in operation. The land bank under development will be used for the development of large-scale commercial and residential properties with supermarkets, department stores, cinema complexes, food courts, leisure facilities, quality residential properties, furnished apartments, office buildings and hotels.

During the year under review, the Group upheld cautious and stringent standards on land investment decision, and the following prime land parcels were added to the Group's land bank in 2015:

Name of project	Usage	Site area '000 sq.m.	Total GFA* '000 sq.m.	Land premium RMB million
Shanghai Wujing Powerlong Plaza	Commercial	41	92	444
A parcel of land located at Baoyang Road, Baoshan District, Shanghai	Commercial	57	268	1,222
A parcel of land located at Jiuting, Songjiang District, Shanghai**	Commercial	83	302	1,236
Total		181	662	2,902

* Total GFA includes underground car parking spaces.

** This land parcel is held by a project company of which the Company holds 33% equity interests.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises property sales, rental income from investment properties, income from property management services and income of other property development related services. During the year ended 31 December 2015, the Group recorded a total revenue of RMB11,907 million (2014: RMB9,663 million), representing an increase of approximately 23.2% when compared to the corresponding period in 2014. This was mainly attributable to increase in income from each business segment.

Property Sales

During the year under review, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. The revenue from projects sold and delivered for the year ended 31 December 2015 amounted to approximately RMB10,481 million (2014: RMB8,265 million), representing an increase of approximately 26.8% when compared with the corresponding period in 2014. This was mainly attributable to the increase in unit price of sales of properties.

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

		For the twelve months ended 31 December 2015		
		GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB'000)	Average selling price (RMB/sq.m.)
Shanghai Qibao Powerlong City	Commercial	24,309	911,049	37,477
Shanghai Caolu Powerlong Plaza	Commercial	14,643	291,321	19,895
Shanghai Fengxian Powerlong Plaza	Commercial	35,879	827,401	23,061
Shanghai Hongqiao Powerlong City	Commercial	28,180	361,011	12,811
	Residential	7,885	137,944	17,494
Shanghai Lingang Powerlong Plaza	Commercial	12,270	242,671	19,778
Shanghai Baoshan Powerlong Plaza	Commercial	3,976	118,157	29,717
Suzhou Taicang Powerlong Plaza	Commercial	471	2,665	5,661
Wuxi Powerlong Plaza	Commercial	232	1,909	8,224
Wuxi Yuqi Powerlong Riverside Garden	Commercial	164	1,473	8,959
	Residential	22,597	101,014	4,470

		For the twelve months ended 31 December 2015 GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB'000)	Average selling price (RMB/sq.m.)
Changzhou Powerlong Plaza	Commercial	7,599	104,571	13,762
	Residential	79,637	511,675	6,425
Zhenjiang Powerlong Plaza	Commercial	4,812	63,818	13,263
	Residential	93,539	437,157	4,674
Suqian Powerlong Plaza	Commercial	4,468	26,575	5,948
	Residential	670	2,728	4,074
Hangzhou Xiasha Powerlong Plaza	Commercial	3,972	109,376	27,536
	Residential	2,691	30,191	11,220
Hangzhou Binjiang Powerlong City	Commercial	13,463	518,512	38,514
Hangzhou Fuyang Powerlong Plaza	Commercial	8,472	127,552	15,055
	Residential	83,413	748,076	8,968
Bengbu Powerlong Plaza	Commercial	513	10,079	19,645
Tianjin Powerlong City	Residential	139,008	851,020	6,122
Qingdao Chengyang Powerlong Plaza	Commercial	710	11,341	15,977
	Residential	1,063	7,726	7,265
Qingdao Licang Powerlong Plaza	Commercial	169	1,284	7,598
Qingdao Jimo Powerlong Plaza	Commercial	14,825	73,106	4,931
	Residential	914.21	4,120	4,506
Jiaozhou Powerlong Plaza	Commercial	15,154	141,986	9,370
	Residential	87,050	485,307	5,575
Tai'an Powerlong Plaza	Commercial	304	3,468	11,408
Yantai Penglai Powerlong Plaza	Commercial	5,549	52,096	9,388
	Residential	19,931	141,600	7,105
Yantai Haiyang Powerlong City	Commercial	514	4,468	8,693
	Residential	3,304	18,402	5,570
Yantai Laishan Powerlong Plaza	Commercial	7,763	175,050	22,551
	Residential	30,272	201,960	6,672
Xiamen Powerlong Lakeside Mansions	Commercial	677	21,353	28,688
	Residential	200	10,741	53,588
Quanzhou Anxi Powerlong Plaza	Commercial	26,729	198,933	7,443
	Residential	671	2,803	4,179
Quanzhou Jinjiang Powerlong Plaza	Commercial	5,087	25,670	5,046
	Residential	12,800	75,851	5,926
Quanzhou Yongchun Powerlong Plaza	Commercial	3,840	43,806	11,407
	Residential	87,033	417,415	4,796
Zhangzhou Yunxiao General Avenue No. 1	Commercial	769	13,191	17,153
	Residential	20,156	104,268	5,173
Zhengzhou Powerlong Plaza	Commercial	429	921	2,147
Luoyang Powerlong Plaza	Commercial	6,907	134,341	19,451
	Residential	149,794	812,393	5,424
Xinxiang Powerlong Plaza	Commercial	13,126	156,136	11,895
	Residential	62,415	298,079	4,776
Chongqing Hechuan Powerlong Plaza	Commercial	3,481	34,854	10,012
	Residential	63,955	269,900	4,220
Total		**1,238,454**	**10,480,514**	**8,463**
	Commercial	269,456	4,810,144	17,851
	Residential	968,998	5,670,370	5,852

Rental Income from Investment Properties and Income from Property Management Services

For the year ended 31 December 2015, the Group recorded rental income from investment properties of approximately RMB552 million (2014: RMB445 million), representing an increase of approximately 24.0% when compared to the corresponding period in 2014.

For the year ended 31 December 2015, income from property management services generated by the Group from providing property management services, after intra-group elimination, amounted to approximately RMB549 million (2014: RMB468 million), representing an increase of approximately 17.3% as compared to the corresponding period in 2014.

For the year ended 31 December 2015, rental income from investment properties and income from property management services fee amounted to RMB1,101 million (2014: RMB912 million), representing an increase of approximately 20.7% as compared to the corresponding period in 2014. In addition to the increasing areas of properties held and commercial and residential properties managed by the Group, rental income generated from malls operated by the Group also increased as a result of the continuous enhancement of quality in commercial operation, which in turn attracting a number of new tenants.

Income of Other Property Development Related Services

Income of other property development related services mainly comprises income from hotel operation, income from department stores retail sales and revenue from amusement businesses, construction and decoration services. For the year ended 31 December 2015, the Group's other income amounted to RMB326 million (2014: RMB486 million), representing a decrease of approximately 33% as compared to the corresponding period in 2014. The reason was mainly due to the decrease in income resulting from the divestment of department store business by the Company and the year-on-year increase in income from hotel operation.

Cost of Sales

Cost of sales mainly represents the cost directly related to the development of the Group's properties. It comprises cost of land use rights, construction costs, decoration costs, capitalized interest expenses and business taxes. Cost of sales for the year ended 31 December 2015 increased by approximately 16.1% to approximately RMB7,985 million (2014: RMB6,880 million) as compared with 2014, which was mainly due to the increase of unit cost as the properties sold and delivered during the year under review were mainly located in the first- and second-tier cities.

Gross Profit and Margin

For the year ended 31 December 2015, gross profit increased to RMB3,922 million (2014: RMB2,783 million) as compared with the corresponding period in 2014. Gross profit margin increased from 28.8% in 2014 to 32.9% in 2015.

Fair Value Gains of Investment Properties

For the year ended 31 December 2015, the Group recorded revaluation gains of approximately RMB1,504 million (2014: RMB599 million), representing an increase of 151.1% over the amount in 2014. The revaluation gains were mainly due to the increase in realization of the value of the investment properties located in the first- and second-tier cities.

Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs and administrative expenses for the year ended 31 December 2015 amounted to approximately RMB1,221 million (2014: RMB1,072 million), representing an increase of approximately 13.9% over 2014, which was mainly due to the Group's business expansion, which in turn caused the expansion in scale of sales and management projects. The Group will continue to exercise stringent control over expenses and costs whilst at the same time strive to continue the Group's business expansion.

Share of Profit/(Loss) of Investments Accounted for Using the Equity Method

Share of post-tax profit of investments accounted for using the equity method amounted to RMB158 million (2014: loss amounted to RMB0.7 million), representing an increase of approximately 226.7% as compared with 2014. The increase was mainly due to an increase in income from joint ventures.

Income Tax Expenses

Income tax expense amounted to RMB1,513 million (2014: RMB651 million) for the year ended 31 December 2015, increased by approximately 132.4% as compared with 2014, primarily due to the increase of PRC land appreciation tax.

Profit Attributable to Owners of the Company

For the year ended 31 December 2015, the Group recorded profit attributable to owners of the Company of approximately RMB2,071 million (2014: RMB1,371 million), representing an increase of approximately 51.1% over 2014.

Basic earnings per share was RMB52.41 cents (2014: RMB34.56 cents), representing an increase of approximately 51.6% over 2014. The increase in the profit attributable to owners of the Company and basic earnings per share was mainly due to an increase in profit during the year under review.

Core profits (being the profit for the year after excluding the profit attributable to fair value gains on investment properties) for the year ended 31 December 2015 reached approximately RMB1,207 million (2014: RMB1,058 million), representing an increase of approximately 14.1% as compared with the corresponding period in 2014.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

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

The Group's cash and cash equivalents and restricted cash amounted to RMB6,726 million in total as at 31 December 2015 (2014: RMB4,949 million), representing an increase of approximately 35.9% as compared with the end of 2014.

Borrowings

Total borrowings of the Group as at 31 December 2015 was RMB22,646 million (2014: RMB18,585 million), representing an increase of approximately 21.9%. The Group's borrowings comprises bank and other borrowings of approximately RMB16,375 million, senior notes of approximately RMB5,278 million and corporate bonds of approximately RMB993 million.

Out of the total borrowings, RMB6,011 million was repayable within one year, while approximately RMB16,635 million was repayable after one year.

On 26 November 2015, the Company issued senior notes at 99.017% discount in an aggregate amount of USD200 million, with a nominal interest rate of 7.625% per annum and maturity date of 26 November 2018.

As at 31 December 2015, the Group had net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of 70.0% (31 December 2014: 66.2%).

Total interest expenses as at 31 December 2015 amounted to RMB1,602 million, representing a decrease of approximately 1.35% as compared to RMB1,624 million in 2014. The decrease was mainly due to the decrease of interest rate for the year under review. The effective interest rate decreased from 8.05% for 2014 to 7.55% for 2015, which was mainly due to the control over finance costs by the management.

Credit Policy

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

Pledge of Assets

As at 31 December 2015, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of RMB27,191 million (2014: RMB29,332 million) to secure borrowings of the Group. The total secured borrowings as at 31 December 2015 amounted to RMB16,328 million (2014: RMB14,640 million).

Contingent Liabilities

As at 31 December 2015, the Group had no significant contingent liabilities.

Financial Guarantees

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**8,062,268**	6,462,924
Guarantees for borrowings of joint ventures	**2,158,830**	1,670,730
	10,221,098	8,133,654

Commitments

(1) Commitments for property development expenditures

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Contracted but not provided for		
– Property development activities	**5,613,503**	6,261,982
– Acquisition of land use rights	**1,016,049**	41,461
	6,629,552	6,303,443

(2) Operating leases commitments

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Not later than one year	**4,152**	15,887
Later than one year and not later than two years	**2,436**	1,862
Later than two years and not later than three years	**1,735**	191
	8,323	17,940

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

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

Business Risk

The business of the Group is highly dependent on the performance of the PRC property market. Any property market downturn in China generally or in the cities and regions in which the Group's property projects are located, or 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 any failure to renew the Group's existing credit facilities prior to their expiration may adversely impact the Group's operation.

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pay to shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Financial Risk

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

MATERIAL ACQUISITION AND DISPOSAL

For the year ended 31 December 2015, the Group did not have any material acquisition or disposal of subsidiaries and associated companies.

EMPLOYEES AND EMOLUMENT POLICY

For the year ended 31 December 2015, the Group employed a total of 8,219 employees (2014: 7,150 employees). The total staff costs of the Group for the year under review was RMB755.2 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the pay level in the industry. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

The Group has also adopted a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations. Further, the Company also adopted a share award scheme (the "Share Award Scheme") to recognize and motivate the contributions made to the Group by its employees and to give incentives in order to retain them for the continuous operation and development of the Group. Further information in relation to the Share Option Scheme, the Pre-IPO Share Option Scheme and Share Award Scheme is set forth in the "Report of the Directors" of this annual report.

Directors and Senior Management

EXECUTIVE DIRECTORS

HOI Kin Hong, aged 64, is an executive Director and the Chairman of the Board. He is primarily responsible for the overall strategy and investment decisions of the Group. Mr. Hoi is a member of the Chinese People's Political Consultative Conference and of the plenary meeting of the Selection Committee of the Macau Special Administrative Region of the People's Republic of China. He is also the Vice Chairman of All-China Federation of Industry & Commerce. Mr. Hoi founded Powerlong Group Development Co., Ltd. (the "Xiamen Powerlong Group") in 1992 and has served as its Chairman. Since the establishment of Xiamen Powerlong Group, he has been engaged in the real estate development business, and has completed the development of several residential projects. He started to specialize in the development of commercial properties in 2003. For each of the years since 2006, Mr. Hoi was recognized as a Contributor to Real Estate Brands in China by the China Real Estate Top 10 Research Team. In addition, Mr. Hoi was also awarded various honours such as the Most Influential Entrepreneur in China, Top 30 People in motivating Chinese Economy over the 30 years of China's reformation, the Outstanding Leader in the Commercial Real Estate Industry in China, China Top 100 Real Estate Entrepreneurs and Award for Excellence in the 20th Anniversary of China Guangcai Program Outstanding Contribution Award. Mr. Hoi is the father of Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, an executive Director and non-executive Director, respectively.

HOI Wa Fong, aged 38, is an executive Director and Chief Executive Officer of the Group. He is primarily responsible for the overall management of the business operations of the Group. Mr. Hoi Wa Fong is a member of All-China Federation of Returned Overseas Chinese, a member of All-China Youth Federation, a director of China Overseas Friendship Association, a member of Chinese People's Political Consultative Conference for the city of Shanghai, a member of Chinese People's Political Consultative Conference for the city of Xiamen and Vice Chairman of Real Estate Chamber of Commerce of National Federation of Industry and Commerce. He graduated from the School of Management of Xiamen University and received an EMBA from the Cheung Kong Graduate School of Business. He is currently pursuing a DBA at the Cheung Kong Graduate School of Business. He joined Xiamen Powerlong Group after graduation since 1999 and started his career from junior positions. He held various positions including vice general manager, general manager, vice president, chief vice president and chief executive officer. He was awarded Top 10 New Leaders in the Real Estate Industry in the PRC, one of the Top 10 Outstanding Young Entrepreneurs in Fujian Province, New Person of the Year in the Real Estate Industry in the PRC from CIHAF, Most Influential People in the Real Estate Industry in the PRC and so forth. Since 2013, he has been awarded Person of the Year in China Commercial Real Estate Value List for 3 consecutive years. 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 67, is an executive Director and the Deputy Chief Executive Officer of the Group. Mr. Xiao is primarily responsible for the hotel management of the Group. He was an officer of Jinjiang Bureau of Land Administration from 1997 to 1999. He has over 30 years of experience in administration management. He joined Xiamen Powerlong Group in October 2001 as vice president and head of administration. In November 2007, he resigned from his position in Xiamen Powerlong Group and joined the Group as an executive Director. He graduated from China Textile Political Distance Learning College in 1988, majoring in economic management.

SHIH Sze Ni, aged 35, is an executive Director. Ms. Shih is primarily responsible for the commercial operation of the Group. Ms. Shih graduated from Central Queensland University in Australia with a master's degree in arts administration, and obtained an EMBA degree from the Cheung Kong Graduate School of Business in September 2014. She joined Xiamen Powerlong Hotel in January 2003 as a director. She then joined Xiamen Powerlong Group in 2005 as a director and general manager of the finance department. In November 2007, she held the positions of executive Director, general manager of supervision department and cost control centre. She has been fully directing the operation of the Commercial Group under the Group since April 2011. Ms. Shih Sze Ni is the wife of Mr. Hoi Wa Fong, an executive Director.

ZHANG Hong Feng, aged 48, is the executive vice president and general manager of operation management centre of the Company. He joined the Company in December 2004 and was appointed as an executive Director on 14 October 2015. Mr. Zhang is primarily responsible for the operation platform and the person-in-charge of operation management centre, cost control centre and technology development centre of the Group. Mr. Zhang was a department manager of Tianyu Real Estate Company (天宇房地產公司), an assistant to the general manager of Anbao Real Estate Development Company Limited (安寶房地產開發有限公司), deputy general manager of the real estate centre of Xiamen Powerlong Group, an executive director of Suzhou Powerlong Real Estate Development Company Limited (蘇州寶龍房地產發展有限公司), an executive director of Suqian Powerlong Property Development Company Limited (宿遷寶龍置業發展有限公司), a general manager of Suqian Powerlong Commercial Property Management Company Limited (宿遷寶龍商業物業管理有限公司), a general manager of Tianjin Powerlong City Company, a regional deputy general manager of the southern region, a general manager of project management centre, and a vice president and a general manager of companies in other provinces and regions of the Company. He obtained a bachelor's degree in industrial electrical automation from Guangxi University in July 1989 and received an EMBA from Tongji University in December 2015.

NON-EXECUTIVE DIRECTOR

HOI Wa Fan, aged 40, 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). She is a member of All-China Youth Federation. Since 2000, she has been the managing director of Nicole, a fashion brand concept store in Macau. In December 2011, she established Ultra City Co., Ltd. and held the position of managing director. She was responsible for the overall management of business operation of Ultra City Co., Ltd. Ms. Hoi is the daughter of Mr. Hoi Kin Hong, an executive Director and the Chairman of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

NGAI Wai Fung, aged 54, is an independent non-executive Director, the managing director of MNCOR Consulting Limited and the chief executive officer of SW Corporate Services Group Limited, a specialty company secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. He has over 20 years of senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and secretarial work for listed issuers including major red chips companies. Dr. 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 Immediate Past President of Hong Kong Institute of Chartered Secretaries. He was appointed by the Chief Executive of the Hong Kong Special Administrative Region as a member of the Working Group on Professional Services under the Economic Development Commission for 2 years in 2013 and reappointed for further 2 years in 2015. He is also the Adjunct Professor of Department of Law of Hong Kong Shue Yan University, a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants and a member of the General Committee of the Chamber of Hong Kong Listed Companies. Dr. Ngai is currently an independent non-executive director of BaWang International (Group) Holding Limited, Bosideng International Holdings Limited, Biostime International Holdings Limited, China Coal Energy Company Limited, China Railway Group Limited, Beijing Capital Juda Limited, SITC International Holdings Company Limited, Yangtze Optical Fibre and Cable Joint Stock Limited Company, BBMG Corporation and TravelSky Technology Limited, and also the independent director of LDK Solar Co., Ltd.. Apart from LDK Solar Co., Ltd., which is now listed on the OTC Pink Limited Information, all of which are companies listed on the Hong Kong Stock Exchange and/or the Shanghai Stock Exchange. Dr. 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. Dr. Ngai received a doctoral degree in finance at Shanghai University of Finance and Economics in 2011, a master's degree in corporate finance from Hong Kong Polytechnic University in 2002, a bachelor honor degree in laws from University of Wolverhampton in the United Kingdom in 1994 and a master's degree in business administration from Andrews University of Michigan in the United States in 1992.

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

MEI Jian Ping, aged 56, 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. Since 2009, Mr. Mei has served on the board of directors of Zhong De Securities Company Limited. He has published a number of books and articles on topics related to finance. Mr. Mei received a bachelor degree in mathematics from Fudan University in 1982, a master degree in economics and a doctorate in economics (finance) from Princeton University in 1988 and 1990, respectively. He was appointed as an independent non – executive Director of the Company in June 2008. He was also appointed as an independent non-executive director of MI Energy Holdings (HK stock code: 1555), Ground Properties Company Limited (HK stock code: 0989) and China Rundong Auto Group Limited (HK stock code: 1365) in 2010, 2013 and 2014 respectively. He was also appointed as an independent non-executive director of HSBC Jintrust Fund Management Company Limited and Song Liao Automotive Company Limited – A Shares (SH stock code: 600715) in 2015.

DING Zu Yu, aged 43, is an independent non-executive Director. He is the chief executive officer of E-House (China) Holdings Limited (易居（中國）控股有限公司) (NY stock code: EJ), the chief executive officer of CRIC (China) Information Technology Co., Ltd (克而瑞（中國）信息技術有限公司) and the general manager of Beijing Institute of Housing Technical Services Association Ltd (北京中房研協技術服務有限公司). He is also an independent director of Sanxiang Co., Ltd (三湘股份有限公司) (SZ stock code: 000863) and Shanghai Chengtou Holdings Co., Ltd (上海城投控股股份有限公司) (SH stock code: 600649). Save as the above, he had also held various positions in China Real Estate Information Group Co., Ltd (中國房產信息集團) in the past including as a co-president and an executive director from September 2009 to April 2012. He is also currently assuming important positions in other professional associations and bodies within the PRC real estate industry. He serves as a vice principal of the E-House Research and Training Institute (易居研究院). He is also a secretary-general of the Real Estate Broker Professional Committee Intermediary Committee of the China Real Estate Association (中國房地產協會仲介委員會), an executive committee member of the China Real Estate Research Association (中國房地產研究會), an adviser on the real estate market for the China's Ministry of Housing and Urban-Rural Development (國家住房和城鄉建設部房地產) and a member of standing committee of CPPCC of Zhabei District in Shanghai (上海市閘北區政協). He was named as "Shanghai Outstanding Young Merchant" (上海傑出青年企業家) in 2012 and was named one of the "Top Ten Shanghai Young Merchants" (上海十大傑出青年企業家) for 2011 to 2012. He received his bachelor's degree in real estate economics in 1998 and his Ph.D. in economics in 2013 from the East China Normal University.

SENIOR MANAGEMENT

LIAO Ming Shun, aged 52, is the vice president and the Chief Financial Officer of the Company. Mr. Liao is responsible for the overall capital operation, financing, taxation and integrated financial control of the Company. He served senior management positions in various large-scale enterprises. Prior to joining the Company, he was the director, chief financial controller and general manager of the finance company of the Ministry of Agriculture of Fujian Province and Fujian Great World Enterprises Group Company Limited, the independent director of Fujian Dongbai Enterprise Group Company Limited (SH stock code: 600693), the vice secretary general of private branch of Fujian Accounting Institute, the secretary general of real estate branch of Fujian Taxpayers' Club. He obtained a bachelor's degree in Rural Finance from Fujian Agriculture and Forestry University, and was awarded a master's degree by the Graduate School of Chinese Academy of Social Sciences. He is also qualified as a Senior Accountant, Senior Economist, International Public Accountant, Certified Taxation Accountant, and Financial Planner. He was awarded one of the "Top CFOs for 2012 by the Xinlicai Magazine of Ministry of Finance", "2013 China's Financial Value Leadership Award", "2014 Huazun Award – Top 10 most Respected Brand Builders who promoted the economic development of the industry" and "2015 CFODC – China's Top 10 Capital Operators. He joined the Company in August 2009.

HONG Qun Feng, aged 43, is the vice president of the Company and general manager of Powerlong Land Development Limited, responsible for overall operation and management of business of Powerlong Land. Mr. Hong was the property manager of Xiamen Jindu Property Management Co. Ltd. (廈門金都物業管理有限公司), assistant to the general manager of Xiamen Chengyi Property Development Co. (廈門誠毅房地產開發公司) and the founder and general manager of Xiamen Bairun Property Consulting Co. Ltd. (廈門百潤房地產顧問有限公司). He received an EMBA from Tongji University in 2015. He joined the Company in 2005.

ZHENG Yong Tang, aged 40, is the vice president of the Company and vice general manager of Powerlong Art Industry (寶龍文化產業). Mr. Zheng is responsible for preparation and management of Powerlong Art Industry and museums of the Company. He had worked in Xiamen Jindu Property Management Co. Ltd. (廈門金都物業管理有限公司), Xiamen Chengyi Property Investment Co. Ltd. (廈門誠毅地產投資有限公司) and Xiamen Bairun Property Consultant Co. Ltd. (廈門百潤房地產顧問有限公司). He was an assistant to the president of Xiamen Powerlong Group, an executive director and general manager of Bengbu Powerlong Real Estate Co., Ltd., a general manager of Qingdao Powerlong Property Development Company Limited, and a vice president and general manager of the Company's investment development centre. He graduated from Xiamen Zhongxin International Computer Institute (廈門中新國際電腦學院) in 1997 and is currently studying for an EMBA degree in business administration in Xiamen University. He joined the Company in January 2000.

HUANG Yong Hua, aged 51, is the vice president of the Company and the general manager of the administration and human resources center. Mr. Huang is responsible for management of branding, legal affairs, administration, human resources and the college of business. He was the chief human resources officer and vice president of Nanjing Golden Eagle International Group, vice president of Nanjing Golden Eagle Retail Group and president of Huacheng Group. He graduated from China Textile University with a bachelor's degree in Chemical Fiber in 1987 and graduated from Nanjing University with a master's degree in Business Administration. He is also a high-level senior economist. He joined the Company in August 2010.

LV Cui Hua, aged 40, is the vice president and the general manager of the cost control centre of the Company and is responsible for cost control. 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), person-in-charge of the contract department of CapitalLand China, the deputy general manager and the general manager of the cost control centre of the Company. She is a National Registered Constructor and a senior engineer. She is currently studying for an EMBA at Tongji University. She joined the Company in May 2010.

YIP Yim Ting Fanny, aged 29, is the company secretary and the secretary of the Board. Ms. Yip is responsible for the listing and compliance management of the Company. She graduated from The University of Hong Kong and Monash University and is an associate member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Prior to joining the Group, Ms. Yip has approximately six years of experience in corporate secretarial work in other listed companies in Hong Kong. She joined the Company in August 2015.

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").

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present this Corporate Governance Report for the year ended 31 December 2015.

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 2015, 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").

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 2015, 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.

During the year ended 31 December 2015 and up to the date of this report, the Board consists of the following Directors and attendance of each Director at four Board meetings and the annual general meeting of the Company held during the year ended 31 December 2015 is set out as follows:

	Attendance/ Number of Board meetings held during tenure	Attendance/ Number of general meetings held during tenure
Executive Directors		
Mr. Hoi Kin Hong (Chairman of the Board and the Nomination Committee)	4/4	1/1
Mr. Hoi Wa Fong (Chief Executive Officer)	4/4	1/1
Mr. Xiao Qing Ping	4/4	1/1
Ms. Shih Sze Ni	4/4	1/1
Mr. Zhang Hong Feng (appointed on 14 October 2015)	1/1	0/0
Mr. Guo Jun (retired on 13 October 2015)	3/3	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

Mr. Hoi Wa Fong and Mr. Hoi Wa Fan are Mr. Hoi Kin Hong's son and daughter respectively and Ms. Shih Sze Ni is Mr. Hoi Wa Fong's spouse. Brief biographical details of the Directors are set out on pages 33 to 37 of this annual report.

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.

Board Diversity Policy

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

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

Appointment and re-election of Directors

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

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

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

Directors' Responsibilities for the Financial Statements

The Directors acknowledged their responsibilities for preparation of the consolidated financial statements for the financial year ended 31 December 2015 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 2015 and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

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

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

Pursuant to Code A.6.5 of the CG Code, the Company encourages all Directors to participate in continuing professional development in order to develop and refresh their knowledge and skills. The Company offers professional training to Directors by way of seminars, providing them with training materials and engaging compliance lawyers. The training attended by the Directors during the year ended 31 December 2015 is summarized as follows:

Date of seminar: 4 December 2015

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
Title of seminar:	Requirement on environmental, social and governance reporting under the Listing Rules

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made of all Directors and all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2015.

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 2015, 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 2015, the Audit Committee held three 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 2015 is set out as follows:

Audit Committee Members	Attendance/ Number of Audit Committee meetings held during tenure
Mr. Ngai Wai Fung	3/3
Mr. Mei Jian Ping	3/3
Mr. Ding Zu Yu	3/3

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 2015, 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 2015 is set out as follows:

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

NOMINATION COMMITTEE

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

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

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

During the year ended 31 December 2015, the Nomination Committee held 2 meetings 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 2015 is set out as follows:

Nomination Committee Members	Attendance/ Number of Nomination Committee held during tenure
Mr. Hoi Kin Hong	2/2
Mr. Mei Jian Ping	2/2
Mr. Ding Zu Yu	2/2

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2015. The assessment was made by discussions with the management of the Company, its external and internal auditors and the review performed by the Audit Committee. The Board believes that the existing internal control and risk management systems are adequate and effective.

ANNUAL REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out as below:

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

Details of the remuneration of the Directors for the year ended 31 December 2015 are set out in note 39 to the financial statements.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of external auditor of the Company about his reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2015 is set out in the section headed "Independent Auditor's Report" in this annual report.

For the year ended 31 December 2015, the fee paid/payable to the external auditor of the Company in respect of audit services and non-audit services is set out as follows.

	Fee paid / payable (RMB' million)
Audit services:	
• Annual audit (including Hong Kong Standard on Review Engagements 2410 review on interim results)	4.3
Non-audit services:	
• Services rendered in respect of bonds issuance by the Group	1.7

SHAREHOLDER RELATIONS

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

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

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

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

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

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

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

During the year ended 31 December 2015, 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 2015, the Company was invited to participate in six Asian and European forums and conferences held by various investment banks meeting approximately 300 investors. Investor relations activities are not only helpful in promoting bilateral communications between the Company and the public and acting as an effective channel for information exchange, but also further enhance transparency of the Company in the capital market, thereby improving investors' relationship of the Group.

The Company participated in the following major investor relations activities in 2015:

May: DB High Yield Corporate Day (Hong Kong)
June: Citi Asia Pacific Property Conference (Hong Kong)
October: Jefferies 5th Annual Asia Corporate Access Summit (Hong Kong)
November: BofAML China Conference 2015 (Beijing)
November: Citi 10th China Investor Conference 2015 (Macau)
November: Nomura Asian High Yield Corporate Day (Hong Kong)

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

Telephone number: +86-21-51759999*8301/+852-21691955
By post: 8/F, Powerlong Tower, 1399 Xinzhen Road, Minhang District, Shanghai, China
Unit 5813, 58/F, The Center, 99 Queen's Road Central, Hong Kong
Attention: Mr. Fred Tao/Ms. Stella Liu
By email: ir@powerlong.com

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out on pages 65 to 158 of this annual report.

At the Board meeting held on 15 March 2016, the Board recommends the payment of a final dividend of HK$9.0 cents per ordinary share for the year ended 31 December 2015. The final dividend is subject to the approval by shareholders of the Company (the "Shareholders") at the annual general meeting to be held on 13 June 2016 (the "Annual General Meeting"). The final dividend, if approved by the Shareholders, will be paid on or around Monday, 4 July 2016 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 22 June 2016.

In order to be qualified for the final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 16 June 2016.

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

RESERVES

Details of movement in the reserves of the Group and the Company for the year ended 31 December 2015 are set out in notes 17, 18 and 38(a) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 December 2015, the reserves of the Company available for distribution were approximately RMB2,893 million (2014: RMB3,299 million).

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 159 to 160 of this annual report.

BORROWINGS

Particulars of borrowings of the Company and the Group as at 31 December 2015 are set out in note 20 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

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

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion of the Group's future business development are set out in the Chairman's Statement on pages 8 to 12 of this annual report. Description of possible risks and uncertainties facing the Company is set out in the Management Discussion and Analysis on pages 24 to 32 of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Group's Five-year Financial Summary on pages 159 to 160 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year ended 31 December 2015 are set out in note 40 to the consolidated financial statements.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business. We reinforce 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 (appointed on 14 October 2015)
Mr. Guo Jun (retired on 13 October 2015)

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. In accordance with article 16.2 of the Company's Articles of Association, any Director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Mr. Zhang Hong Feng will only hold office as Director and, being eligible, will offer himself for re-election as Director at the Annual General Meeting.

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

DIRECTORS' REMUNERATION

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

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Saved as disclosed above, as at 31 December 2015, none of the Directors or their respective associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

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

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

INDEMNITY AND INSURANCE PROVISIONS

The Articles of Association of the Company provides that every Director shall be entitled to be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses as a result of any act or failure to act in carrying out his/her functions. Such provisions were in force during the course of the financial year ended 31 December 2015 and remained in force as of the date of this report. The Company has also arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

SHARE OPTION SCHEMES

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

A. Share Option Scheme

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Since the adoption of the Share Option Scheme and up to 31 December 2015, no options had been granted under the Share Option Scheme.

B. Pre-IPO Share Option Scheme

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

1. *Purpose of the Pre-IPO Share Option Scheme:*

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

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

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

2. *Participants of the Pre-IPO Share Option Scheme:*

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

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

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

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

3. *Total number of shares available for issue under the Pre-IPO Share Option Scheme and percentage of the number of issued shares as at the date of this annual report:*

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

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

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

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

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

6. *The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid:*

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per grant.

7. *The basis of determining the exercise price:*

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

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

		Number of share option			
Category	Exercise Period	As at 1 January 2015	Granted during the year	Exercised/ Lapsed/ Cancelled during the year	As at 31 December 2015
Mr. Hoi Kin Hong	16 September 2013 to 15 September 2015	1,400,000	–	(1,400,000)	–
	16 September 2014 to 15 September 2016	1,400,000	–	–	1,400,000
	Total	2,800,000	–	(1,400,000)	1,400,000
Mr. Hoi Wa Fong	16 September 2013 to 15 September 2015	440,000	–	(440,000)	–
	16 September 2014 to 15 September 2016	440,000	–	–	440,000
	Total	880,000	–	(440,000)	440,000
Mr. Xiao Qing Ping	16 September 2013 to 15 September 2015	360,000	–	(360,000)	–
	16 September 2014 to 15 September 2016	360,000	–	–	360,000
	Total	720,000	–	(360,000)	360,000
Ms. Shih Sze Ni	16 September 2013 to 15 September 2015	240,000	–	(240,000)	–
	16 September 2014 to 15 September 2016	240,000	–	–	240,000
	Total	480,000	–	(240,000)	240,000
Mr. Zhang Hong Feng	16 September 2013 to 15 September 2015	100,000	–	(100,000)	–
	16 September 2014 to 15 September 2016	100,000	–	–	100,000
	Total	200,000	–	(100,000)	100,000
Directors	Total	5,080,000	–	(2,540,000)	2,540,000
Employees	16 September 2013 to 15 September 2015	1,928,000	–	(1,928,000)	–
	16 September 2014 to 15 September 2016	1,928,000	–	(80,000)	1,848,000
Employees	Total	3,856,000	–	(2,008,000)	1,848,000
	Total	8,936,000	–	(4,548,000)	4,388,000

The options granted under the Pre-IPO Share Option Scheme and not exercised within the exercise period will lapse and cease to be of further effect. No further options can be granted under the Pre-IPO Share Option Scheme.

SHARE AWARD SCHEME

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

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

On 6 June 2013, a committee established by the Board, comprising members of the Remuneration Committee, the Chairman of the Board and independent non-executive Directors of the Company and delegated with the power and authority by the Board to administer the Share Award Scheme pursuant to the Scheme Rules (the "Executive Committee"), resolved to grant an aggregate of 7,502,000 awarded shares (the "Awarded Shares") to 67 Eligible Employees pursuant to the rules under the Share Award Scheme (the "Scheme Rules"). Please refer to the announcement of the Company dated 6 June 2013 for the details of the grant.

On 29 May 2014, the Executive Committee resolved to grant an aggregate of 8,958,000 Awarded Shares to 84 Eligible Employees pursuant to the rules under the Scheme Rules. Please refer to the announcement of the Company dated 29 May 2014 for details of the grant.

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

Name of Awardees	No. of Awarded Shares Granted on 6 June 2013	Granted on 29 May 2014	Total	Vesting Date	Vesting Conditions
Mr. Hoi Kin Hong	324,000	662,000	986,000	(i) 50% of the Awarded Shares shall vest in the respective Eligible Employees on 1 July 2016; and (ii) the remaining 50% of the Awarded Shares shall vest in the respective Eligible Employees on 1 July 2017.	Subject to the terms of the Scheme Rules and the fulfillment of such additional performance requirements as specified by the Board/Executive Committee.
Mr. Hoi Wa Fong	324,000	462,000	786,000		
Mr. Xiao Qing Ping	444,000	367,700	811,700		
Ms. Shih Sze Ni	230,000	273,400	503,400		
Mr. Zhang Hong Feng (appointed on 14 October 2015)	92,000	92,300	184,300		
Mr. Guo Jun (retired on 13 October 2015)	444,000	612,000	1,056,000		
Remaining Awardees who are Eligible Employees (as defined in the Scheme Rules) and are not connected persons (as defined in the Listing Rules) of the Company	5,644,000	6,488,600	12,132,600		

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

As at 31 December 2015, the interests of each Director and chief executive of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in shares and underlying shares of the Company

	Number of ordinary shares				Interests in underlying shares		
Name of Directors	Personal interests	Interests of spouse	Interests of a controlled corporation	Other Interests (Note 1)	Share options (Note 2)	Total	Approximate percentage of interests to the issued share capital of the Company (Note 3)
Mr. Hoi Kin Hong	27,479,000	2,800,000	1,805,637,000 (Note 4)	986,000	1,400,000	1,838,302,000	45.99%
Mr. Hoi Wa Fong	8,202,000	743,400	565,400,000 (Note 5)	786,000	440,000	575,571,400	14.40%
Mr. Xiao Qing Ping	–	–	–	811,700	360,000	1,171,700	0.03%
Ms. Shih Sze Ni	–	574,828,000		503,400	240,000	575,571,400	14.40%
Mr. Zhang Hong Feng	–	–	–	184,300	100,000	284,300	0.01%
Ms. Hoi Wa Fan	–	–	149,480,000 (Note 6)	–	–	149,480,000	3.74%

Notes:

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

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

(3) These percentages have been complied based on the total number of issued shares (i.e. 3,997,303,000 shares) as at 31 December 2015.

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

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

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

Saved as disclosed above, as at 31 December 2015, none of the Directors, chief executive of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2015, the interests of substantial shareholders in shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares (Note 1)	Approximate percentage of interests in the Company (Note 2)
Mr. Hoi Kin Hong	Personal interests	29,865,000 (Note 3)	45.99%
	Interests of spouse	2,800,000	
	Interests of a controlled corporation	1,805,637,000	
Skylong Holdings Limited	Beneficial owner	1,805,637,000	45.17%
Mr. Hoi Wa Fong	Personal interests	9,428,000 (Note 4)	14.40%
	Interests of spouse	743,400 (Note 5)	
	Interests of a controlled corporation	565,400,000	
Sky Infinity Holdings Limited	Beneficial owner	565,400,000	14.14%
Wason Holdings Limited	Beneficial owner	202,000,000	5.05%

Notes:

(1) All the interests represent long positions.

(2) These percentages have been complied based on the total number of issued shares (i.e. 3,997,303,000 shares) as at 31 December 2015.

(3) These shares represent (i) 27,479,000 shares beneficially owned by Mr. Hoi Kin Hong; (ii) 986,000 awarded shares granted to Mr. Hoi Kin Hong under the Share Award Scheme; and (iii) 1,400,000 share options granted to Mr. Hoi Kin Hong under the Pre-IPO Share Option Scheme.

(4) These shares represent (i) 8,202,000 shares beneficially owned by Mr. Hoi Wa Fong; (ii) 786,000 awarded shares granted to Mr. Hoi Wa Fong under the Share Award Scheme; and (iii) 440,000 share options granted to Mr. Hoi Wa Fong under the Pre-IPO Share Option Scheme.

(5) These shares represent (i) 503,400 awarded shares granted to Ms. Shih Sze Ni under the Share Award Scheme; and (ii) 240,000 share options granted to Ms. Shih Sze Ni under the Pre-IPO Share Option Scheme.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Saved as disclosed under the sections headed "Share Option Schemes" and "Share Award Scheme" above, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or chief executives or their respective spouses or children under 18 years of age had been granted any right to subscribe for shares or debt securities of the Company nor exercised any such right.

CONNECTED TRANSACTIONS

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

On 10 December 2015, Fuzhou Powerlong Commercial Management Company Limited ("Fuzhou Powerlong Commercial"), an indirect wholly-owned subsidiary of the Company, entered into the subscription agreement with Shanghai Life Insurance Company Limited ("Shanghai Life Insurance"), pursuant to which, Fuzhou Powerlong Commercial has agreed to participate in the capital increase of Shanghai Life Insurance (the "Capital Increase") by subscribing for 120,000,000 ordinary shares of Shanghai Life Insurance ("SLI Shares") at a total subscription amount of RMB127,200,000 (the "Subscription"). Upon completion of the Subscription and the Capital Increase, Fuzhou Powerlong Commercial will hold an aggregate of 300,000,000 SLI Shares, representing 5% of the entire equity interest of Shanghai Life Insurance as enlarged by the Capital Increase. Please refer to the announcement of the Company dated 10 December 2015 for details of the transaction.

Shanghai Life Insurance holds as to 30% equity interest in a subsidiary of the Company. Accordingly, Shanghai Life Insurance is a connected person at the subsidiary level of the Company and the Subscription constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

1. *Purchase of office equipment from Xiamen Powerlong Information*

   On 4 September 2008, Fuzhou Powerlong Real Estate Development Co., Ltd. ("Fuzhou Powerlong"), an indirectly wholly-owned subsidiary of the Company, entered into an office equipment purchase agreement with Xiamen Powerlong Information Industry Co., Ltd. ("Xiamen Powerlong Information") (the "Equipment Purchase Agreement") pursuant to which Xiamen Powerlong Information would and would procure its subsidiaries to supply office equipment such as printers, photocopiers, computers, fax machines and network severs to Fuzhou Powerlong and other members of the Group for a term of three years from 1 January 2009 to 31 December 2011. The term of the Equipment Purchase Agreement was subsequently extended to 31 December 2014 by a supplemental agreement dated 31 December 2011 and further extended to 31 December 2017 by a second supplemental agreement dated 24 December 2014 (the "2015 Equipment Purchase Agreement"). Please refer to the announcement of the Company dated 24 December 2014 for details of the 2015 Equipment Purchase Agreement.

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

It was expected that the maximum annual fees payable by the Group under the 2015 Equipment Purchase Renewal Agreement for each of the three financial years ending 31 December 2017 will not exceed RMB8,600,000, RMB11,000,000 and RMB14,000,000 respectively. During the year under review, the total transaction amount under the 2015 Equipment Purchase Agreement was RMB4,064,000.

2. *Security service agreement with Fujian Ping An*

On 1 July 2010, the Group and Fujian Ping An Security Devices and Network Co., Ltd. ("Fujian Ping An") entered into a security service agreement (the "Security Service Agreement"), pursuant to which, Fujian Ping An agreed to provide certain security intelligentization system services to the Group for a term from 1 July 2010 to 31 December 2012. On 28 December 2012, the parties entered into a renewal agreement (the "2013 Security Service Agreement") to renew the Security Service Agreement with a term of three years commencing from 1 January 2013 to 31 December 2015 (both days inclusive). Details of the 2013 Security Service Agreement are set out in the announcement of the Company dated 28 December 2012.

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

It was expected that the maximum annual fees payable by the Group under the 2013 Security Service Agreement for the financial year ended 31 December 2015 will not exceed RMB225,000,000. During the year under review, the total transaction amount under the 2013 Security Service Agreement was RMB57,876,000.

On 28 December 2015, the Company and Fujian Ping An entered into a renewal agreement (the "2016 Security Service Agreement) to renew to 2013 Security Service Agreement for a fixed term of three years commencing from 1 January 2016 to 31 December 2018 (both days inclusive). Please refer to the announcement of the Company dated 28 December 2015 for details of the 2016 Security Service Agreement.

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "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.

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 2015, the Company has complied with all applicable code provisions in Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 38 to 47 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2015 and up to the date of this annual report, the Company has maintained a sufficient public float of more than 25% of the Company's total number of issued shares as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2015 amounted to RMB30,038,000 (2014: RMB10,641,000).

AUDITOR

The consolidated financial statements for the year ended 31 December 2015 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, 15 March 2016

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF POWERLONG REAL ESTATE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries set out on pages 65 to 158, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2016

Consolidated Balance Sheet

		31 December	
	Note	**2015 RMB'000**	2014 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	**2,354,664**	1,898,666
Land use rights	7	**1,033,527**	797,138
Investment properties	8	**28,370,318**	24,381,596
Investments accounted for using the equity method	14	**1,523,949**	1,548,554
Deferred income tax assets	22	**394,724**	380,313
Available-for-sale financial assets	13	**318,000**	–
Prepayments	12	**407,880**	–
		34,403,062	29,006,267
Current assets			
Properties under development	9	**13,010,714**	13,668,618
Completed properties held for sale	10	**9,086,095**	6,162,421
Trade and other receivables	11	**2,392,543**	2,196,727
Prepayments	12	**671,529**	852,374
Prepaid taxes		**356,048**	300,334
Available-for-sale financial assets	13	**16,491**	16,042
Financial assets at fair value through profit or loss		**–**	1,500
Restricted cash	15	**1,085,889**	603,687
Cash and cash equivalents	16	**5,639,843**	4,345,757
		32,259,152	28,147,460
Total assets		**66,662,214**	57,153,727
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	17	**2,979,696**	2,979,696
Other reserves	18	**656,386**	664,827
Retained earnings		**16,808,903**	14,965,316
		20,444,985	18,609,839
Perpetual Capital Instruments	19	**1,305,161**	1,302,139
Non-controlling interests		**1,008,383**	697,504
Total equity		**22,758,529**	20,609,482

		31 December	
	Note	**2015 RMB'000**	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	**16,635,538**	14,294,043
Deferred income tax liabilities	22	**3,685,327**	3,314,613
Derivative financial instruments	21	**170,907**	81,178
		20,491,772	17,689,834
Current liabilities			
Trade and other payables	23	**9,950,897**	7,727,082
Advances from customers		**4,563,340**	4,641,997
Current income tax liabilities	24	**2,815,776**	2,194,391
Borrowings	20	**6,010,951**	4,290,941
Derivative financial instruments	21	**70,949**	–
		23,411,913	18,854,411
Total liabilities		**43,903,685**	36,544,245
Total equity and liabilities		**66,662,214**	57,153,727

The financial statements on pages 71 to 158 were approved by the Board of Directors on 15 March 2016 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

The notes on pages 71 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
	Note	**2015 RMB'000**	2014 RMB'000
Revenue	5	**11,907,300**	9,662,995
Cost of sales	25	**(7,985,447)**	(6,880,023)
Gross profit		**3,921,853**	2,782,972
Fair value gains on investment properties – net	8	**1,503,628**	599,325
Selling and marketing costs	25	**(486,118)**	(395,666)
Administrative expenses	25	**(735,212)**	(676,140)
Other losses – net	27	**(140,586)**	(124,963)
Exchange (losses)/gains – net	28	**(9,178)**	4,721
Operating profit		**4,054,387**	2,190,249
Finance costs – net	29	**(364,189)**	(30,606)
Share of profit/(loss) of investments accounted for using the equity method	14	**157,659**	(709)
Profit before income tax		**3,847,857**	2,158,934
Income tax expenses	30	**(1,512,768)**	(651,340)
Profit for the year		**2,335,089**	1,507,594
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gains on property and equipment and land use rights transferred to investment properties, net of tax	18	**–**	149,379
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax	18	**8,549**	(259)
Total other comprehensive income for the year, net of tax		**8,549**	149,120
Total comprehensive income for the year		**2,343,638**	1,656,714
Profit attributable to:			
Owners of the Company		**2,071,110**	1,370,828
Holders of Perpetual Capital Instruments		**153,100**	36,750
Non-controlling interests		**110,879**	100,016
		2,335,089	1,507,594
Total comprehensive income attributable to:			
Owners of the Company		**2,079,659**	1,519,948
Holders of Perpetual Capital Instruments		**153,100**	36,750
Non-controlling interests		**110,879**	100,016
		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)	31		
– Basic		**52.41**	34.56
– Diluted		**52.32**	34.54

The notes on pages 71 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

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

	Attributable to owners of the Company						
	Share capital RMB'000 (Note 17)	Other reserves RMB'000 (Note 18)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 19)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2014							
Balance at 1 January 2014	3,035,471	512,464	13,589,210	17,137,145	–	508,988	17,646,133
Comprehensive income:							
Profit for the year	–	–	1,370,828	1,370,828	36,750	100,016	1,507,594
Other comprehensive income for the year	–	149,120	–	149,120	–	–	149,120
Total comprehensive income for the year	–	149,120	1,370,828	1,519,948	36,750	100,016	1,656,714
Transactions with owners:							
Buy-back of shares of the Company	(48,960)	–	–	(48,960)	–	–	(48,960)
Share Award Scheme							
– Purchase of shares by the trust held for Share Award Scheme	(6,815)	–	–	(6,815)	–	–	(6,815)
Share Award Scheme							
– Value of employee services	–	6,975	–	6,975	–	–	6,975
Pre-IPO Share Option Scheme							
– Value of employee services	–	(3,858)	5,404	1,546	–	–	1,546
Issuance of Perpetual Capital Instruments	–	–	–	–	1,300,000	–	1,300,000
Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(34,611)	–	(34,611)
Capital contribution from non-controlling interests	–	–	–	–	–	88,500	88,500
Total transactions with owners	(55,775)	3,117	5,404	(47,254)	1,265,389	88,500	1,306,635
Appropriation to statutory reserves	–	126	(126)	–	–	–	–
Balance at 31 December 2014	2,979,696	664,827	14,965,316	18,609,839	1,302,139	697,504	20,609,482

The notes on pages 71 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	33	2,753,544	1,254,688
PRC corporate income tax paid		(307,506)	(408,246)
PRC land appreciation tax paid		(361,408)	(391,104)
Interest paid		(1,592,152)	(1,606,697)
Cash used in operating activities – net		492,478	(1,151,359)
Cash flows from investing activities			
Payments for addition of property and equipment		(337,815)	(534,728)
Payments for addition of land use rights		(259,559)	(330,904)
Payments for construction of investment properties		(768,375)	(2,320,063)
Acquisition of a subsidiary		(146,997)	–
Proceeds from disposal of equipment		161	825
Repayments of cash advances by related parties		10,285	1,971
Purchases of available-for-sale financial assets		(307,200)	–
Prepayments for potential investments		(407,880)	–
Disposal of subsidiaries		–	3,780
Investments in joint ventures		–	(429,551)
Proceeds from disposal of investment properties		–	35,477
Disposal of available-for-sale financial assets		–	14,500
Cash advances made to related parties		–	(277,560)
Cash used in investing activities – net		(2,217,380)	(3,836,253)
Cash flows from financing activities			
Capital injection by non-controlling interests		200,000	88,500
Proceeds from borrowings		14,070,423	9,927,951
Repayments of borrowings		(10,750,772)	(7,795,653)
Increase in guarantee deposits		(446,136)	(18,090)
Cash advances from related parties		1,107,634	1,502,111
Repayments of cash advances to related parties		(779,246)	(2,000)
Distribution to the holders of Perpetual Capital Instruments		(150,078)	(34,611)
Dividends paid to owners of the Company		(249,414)	–
Buy-back of shares of the Company		–	(48,960)
Net proceeds from issuance of Perpetual Capital Instruments		–	1,300,000
Repurchase of senior notes		–	(20,766)
Cash generated from financing activities – net		3,002,411	4,898,482
Net increase/(decrease) in cash and cash equivalents		1,277,509	(89,130)
Cash and cash equivalents at beginning of the year	16	4,345,757	4,434,449
Effect of foreign exchange rate changes		16,577	438
Cash and cash equivalents at end of the year	16	5,639,843	4,345,757

The notes on pages 71 to 158 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

These financial statements have been approved for issue by the board of directors (the "Board") of the Company on 15 March 2016.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4.

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

Amendment to HKAS19	Defined benefit plans
Annual improvements 2012	2010-2012 cycle of the annual improvements project
Annual improvements 2013	2011-2013 cycle of the annual improvements project

The adoption of the above new and amended standards did not have any material impact on the consolidated financial statements except for disclosure.

(b) *New Hong Kong Companies Ordinance (Cap.622)*

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(c) The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interest in joint operation	1 January 2016
Amendment to HKAS 16 and 38	Clarification of acceptable methods of depreciation and amortization	1 January 2016
Amendment to HKAS 16 and 41	Agriculture: bearer plants	1 January 2016
HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	2012-2014 cycle	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
Amendments to IAS 12	Income taxes	1 January 2017
Amendments to IAS 7	Statement of cash flows	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
IFRS 16	Leases	1 January 2019
Amendment to HKAS 10 and 28	Sale or contribution of assets between an investor and its associate or joint venture	Deferred

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted in.

2.2 Subsidiaries

2.2.1 Consolidation

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(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, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(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. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

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

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

2.3 Associates

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates (continued)

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

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

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

2.4 Joint arrangements

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(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.

2.7 Property and equipment

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property and equipment (continued)

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

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

2.8 Investment property

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property (continued)

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.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

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

2.10 Financial assets

2.10.1 Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

(d) Derivatives

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

2.10.2 *Recognition and measurement*

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

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

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

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 losses – net".

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

2.11 Offsetting financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets

(a) *Assets carried at amortised cost*

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

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

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

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

(b) *Assets classified as available for sale*

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Properties under development and completed properties held for sale

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

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

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

2.14 Trade and other receivables

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

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

2.15 Cash and cash equivalents and restricted cash

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

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

2.16 Share capital

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

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

2.17 Perpetual capital instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Trade and other payables

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

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

2.19 Borrowings and borrowing costs

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

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

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

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

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

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

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax

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

(a) *Current income tax*

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

(b) *Deferred income tax*

Inside basis differences

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

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

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)

2.20 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.

2.21 Employee benefits

(a) *Retirement benefits*

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

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

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

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

(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)

2.22 Share-based payments

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Provisions and contingent liabilities

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

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

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

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

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

2.24 Revenue recognition

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

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

(a) *Sales of properties*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (continued)

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

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

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

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

2.25 Interest income

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

2.26 Dividend income

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

2.27 Leases

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

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

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

2.28 Dividend distribution

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Financial guarantee contracts

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

3 FINANCIAL RISK MANAGEMENT

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

3.1 Financial risk factor

(a) *Market risk*

(i) *Foreign exchange risk*

The Group's businesses are principally conducted in RMB. As at 31 December 2015, major non-RMB assets and liabilities are cash and cash equivalents, restricted cash, financial assess at fair value through profit or loss, available-for-sale financial assets, other payables and borrowings, which are dominated in Hong Kong dollar ("HK$") or US dollar ("US$"). Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

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

	31 December	
	2015 RMB'000	2014 RMB'000
Financial assets		
– HK$	**70,174**	23,251
– US$	**507,771**	53,931
	577,945	77,182
Financial liabilities		
– HK$	**1,272,142**	922,871
– US$	**5,297,468**	4,129,016
	6,569,610	5,051,887

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	
	2015	2014
	RMB'000	RMB'000
Increase/(decrease) in profit for the year:		
5% strengthened in RMB against the relevant currencies		
– HK$	**60,098**	44,981
– US$	**239,485**	203,754
	299,583	248,735
5% weakened in RMB against the relevant currencies		
– HK$	**(60,098)**	(44,981)
– US$	**(239,485)**	(203,754)
	(299,583)	(248,735)

(ii) Cash flow and fair value interest rate risk

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

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

Based on the simulations performed, for the year ended 31 December 2015, if interest rates on borrowings at variable rates had been 100 basis point higher/lower with all other variables held constant, interest charges for the year would increase/decrease by RMB125,046,000 (2014: RMB89,530,000), most of which have been capitalised in qualified assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) *Credit risk*

The Group has no concentrations on credit risk. Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash at bank and financial institutions and trade and other receivables.

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

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

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance, and guarantees provided to third parties. The Group's exposure to credit risk arising from trade and other receivables is set out in Note 11.

(c) *Liquidity risk*

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2015					
Borrowings (Note a)	8,444,943	7,836,811	8,771,097	1,391,511	26,444,362
Trade and other payables (Note b)	9,724,085	–	–	–	9,724,085
Derivative financial instruments – cash inflow	(918,625)	(1,661,250)	–	–	(2,579,875)
Derivative financial instruments – cash outflow	981,921	1,839,810	–	–	2,821,731
Guarantees for borrowings of joint ventures	2,275,413	–	–	–	2,275,413
Financial guarantee contracts (Note c)	8,062,268	–	–	–	8,062,268
	28,570,005	8,015,371	8,771,097	1,391,511	46,747,984

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2014					
Borrowings (Note a)	5,236,596	7,304,651	6,406,500	2,055,889	21,003,636
Trade and other payables (Note b)	7,479,196	–	–	–	7,479,196
Derivative financial instruments – cash inflow	–	(918,625)	(1,661,250)	–	(2,579,875)
Derivative financial instruments – cash outflow	–	945,668	1,715,385	–	2,661,053
Guarantees for borrowings of joint ventures	1,893,744	–	–	–	1,893,744
Financial guarantee contracts (Note c)	6,462,924	–	–	–	6,462,924
	21,072,460	7,331,694	6,460,635	2,055,889	36,920,678

Notes:

a. Interest on borrowings is calculated on borrowings held as at 31 December 2015 and 2014. Floating-rate interest is estimated using the current interest rate as at 31 December 2015 and 2014 respectively.

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

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

3.2 Capital risk management

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (continued)

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

The gearing ratios at 31 December 2015 and 2014 are as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Total borrowings (Note 20)	**22,646,489**	18,584,984
Less: cash and cash equivalents (Note 16)	**(5,639,843)**	(4,345,757)
Less: guarantee deposits for bank borrowings (Note 15(c))	**(581,159)**	(135,023)
Net debt	**16,425,487**	14,104,204
Total equity	**22,758,529**	20,609,482
Total capital	**39,184,016**	34,713,686
Gearing ratio	**41.9%**	40.6%

The slightly increase in the gearing ratio during 2015 resulted primarily from the additional bank and other borrowings.

3.3 Fair value estimation

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2015 and 2014. 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 2015				
Financial assets:				
Available-for-sale financial assets (Note 13)	–	–	334,491	334,491
Financial liabilities:				
Derivative financial instruments (Note 21)	–	241,856	–	241,856
At 31 December 2014				
Financial assets:				
Financial assets at fair value through profit or loss	1,500	–	–	1,500
Available-for-sale financial assets (Note 13)	–	–	16,042	16,042
	1,500	–	16,042	17,542
Financial liabilities:				
Derivative financial instruments (Note 21)	–	81,178	–	81,178

There were no transfers between levels during the year.

(a) Financial instruments in level 1

As at 31 December 2015, the Group has no financial instruments stated at fair value. The fair value of the Group's financial assets at fair value through profit or loss at 31 December 2014 are listed securities in Hong Kong, is based on their quoted market prices at the balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These financial assets at fair value through profit or loss are included in level 1. The quoted market price used for financial assets held by the Group is the current bid price.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(b) *Financial instruments in level 2*

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

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

(c) *Financial instruments in level 3*

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Income taxes and deferred taxation

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

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

(b) PRC land appreciation taxes

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Provisions for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there is no material impairment for properties under development and properties held for sale at 31 December 2015.

(d) Provision for property and equipment

Property and equipment including mainly assets under construction and buildings, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property and equipment have been determined based on value-in-use calculations, taking into account latest market information and past experience. These calculation and valuations require the use of judgements and estimates.

(e) Fair value of investment properties

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

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

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) 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 2015 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2015 were measured at fair value.

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

5 SEGMENT INFORMATION

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

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Sales of properties	**10,480,514**	8,265,185
Rental income of investment properties	**552,096**	444,772
Income of property management services	**549,030**	467,502
Income of other property development related services	**325,660**	485,536
	11,907,300	9,662,995

5 SEGMENT INFORMATION (CONTINUED)

Segment results represents the profit earned by each segment without other losses, unallocated operating costs, finance costs, share of results of associates and joint ventures and income tax expenses. Other property development related services comprise hotels, KTVs and department store. The segment results and other segment items for the year ended 31 December 2015 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	10,480,514	552,096	622,067	325,660	–	11,980,337
Inter-segment revenue	–	–	(73,037)	–	–	(73,037)
Revenue	10,480,514	552,096	549,030	325,660	–	11,907,300
Segment results	2,866,922	1,693,231	1,588	(50,983)	–	4,510,758
Other losses – net						(140,586)
Share of profit of investments accounted for using the equity method (Note 14)						157,659
Unallocated operating costs						(315,785)
Finance costs – net (Note 29)						(364,189)
Profit before income tax						3,847,857
Income tax expenses						(1,512,768)
Profit for the year						2,335,089
Depreciation (Note 6)	11,030	–	5,838	116,401	–	133,269
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	22,853	–	22,853
Fair value gains on investment properties – net (Note 8)	–	1,503,628	–	–	–	1,503,628

5 SEGMENT INFORMATION (CONTINUED)

The segment results and other segment items included in the profit for the year ended 31 December 2014 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	8,265,185	444,772	514,931	485,536	–	9,710,424
Inter-segment revenue	–	–	(47,429)	–	–	(47,429)
Revenue	8,265,185	444,772	467,502	485,536	–	9,662,995
Segment results	1,742,932	827,010	718	30,162	–	2,600,822
Other losses – net						(124,963)
Share of loss of investments accounted for using the equity method (Note 14)						(709)
Unallocated operating costs						(285,610)
Finance costs – net (Note 29)						(30,606)
Profit before income tax						2,158,934
Income tax expenses						(651,340)
Profit for the year						1,507,594
Depreciation (Note 6)	18,901	–	5,118	108,646	–	132,665
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	15,846	–	15,846
Fair value gains on investment properties – net (Note 8)	–	599,325	–	–	–	599,325

5 SEGMENT INFORMATION (CONTINUED)

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

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

Segment assets, liabilities and interests in joint ventures as at 31 December 2014 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	28,042,279	25,386,731	784,624	5,319,214	(4,053,115)	55,479,733
Other assets						1,673,994
Total assets						57,153,727
Segment liabilities	10,489,800	1,267,592	576,018	1,258,796	(4,053,115)	9,539,091
Other liabilities						27,005,154
Total liabilities						36,544,245
Capital expenditure	241,162	3,526,739	3,514	826,994	–	4,598,409
Interest in joint ventures						1,512,375
Interest in an associate						36,179

5 SEGMENT INFORMATION (CONTINUED)

Segment assets are reconciled to total assets as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Segment assets	61,688,973	55,479,733
Other assets		
– Prepaid taxes	356,048	300,334
– Deferred income tax assets	394,724	380,313
– Unallocated cash and cash equivalents and restricted cash	3,431,264	550,108
– Other receivables from related parties (Note 36(d))	288,651	298,936
– Unallocated property and equipment	80,692	81,221
– Other corporate assets	87,371	47,040
– Available-for-sale financial assets	334,491	16,042
Total assets	66,662,214	57,153,727

Segment liabilities are reconciled to total liabilities as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Segment liabilities	11,260,044	9,539,091
Other liabilities		
– Current income tax liabilities	2,815,776	2,194,391
– Deferred income tax liabilities	3,685,327	3,314,613
– Current borrowings	6,010,951	4,290,941
– Non-current borrowings	16,635,538	14,294,043
– Other payables to related parties (Note 36(d))	2,995,850	2,667,462
– Other corporate liabilities	500,199	243,704
Total liabilities	43,903,685	36,544,245

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

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

5 SEGMENT INFORMATION (CONTINUED)

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

Segment liabilities consist of operating liabilities.

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

6 PROPERTY AND EQUIPMENT

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
Year ended 31 December 2015					
Opening net book amount	688,541	1,035,446	20,261	154,418	1,898,666
Additions	480,920	76,848	7,537	24,123	589,428
Transfers	(380,687)	380,687	–	–	–
Disposals	–	–	(8)	(153)	(161)
Depreciation	–	(91,305)	(9,238)	(32,726)	(133,269)
Closing net book amount	788,774	1,401,676	18,552	145,662	2,354,664
At 31 December 2015					
Cost	788,774	1,691,002	74,930	313,013	2,867,719
Accumulated depreciation	–	(289,326)	(56,378)	(167,351)	(513,055)
Net book amount	788,774	1,401,676	18,552	145,662	2,354,664
Year ended 31 December 2014					
Opening net book amount	152,981	1,421,911	22,809	96,500	1,694,201
Additions	535,560	25,278	10,537	95,450	666,825
Revaluation reserves recognised in other comprehensive income	–	160,334	–	–	160,334
Transfers to investment properties (Note 8)	–	(489,204)	–	–	(489,204)
Disposals	–	–	(604)	(221)	(825)
Depreciation	–	(82,873)	(12,481)	(37,311)	(132,665)
Closing net book amount	688,541	1,035,446	20,261	154,418	1,898,666
At 31 December 2014					
Cost	688,541	1,231,935	68,835	294,249	2,283,560
Accumulated depreciation	–	(196,489)	(48,574)	(139,831)	(384,894)
Net book amount	688,541	1,035,446	20,261	154,418	1,898,666

6 PROPERTY AND EQUIPMENT (CONTINUED)

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

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
Cost of sales	**92,071**	91,504
Selling and marketing costs	**2,466**	2,215
Administrative expenses	**38,732**	38,946
	133,269	132,665

As at 31 December 2015, properties and equipment with net book amounts totalling RMB1,210,971,000 (2014: RMB1,360,154,000), were pledged as collateral for the Group's borrowings (Note 20).

Borrowing costs of RMB60,331,000 (2014: RMB121,825,000) have been capitalised in assets under construction for the year ended 31 December 2015.

The capitalisation rate of borrowings for the year ended 31 December 2015 is 7.52% (2014: 8.57%).

7 LAND USE RIGHTS

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
Opening net book amount	**797,138**	569,862
Additions	**259,242**	404,845
Revaluation reserves recognised in other comprehensive income	**–**	38,838
Transfer to investment properties	**–**	(200,561)
Amortisation charges	**(22,853)**	(15,846)
Ending net book amount	**1,033,527**	797,138

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 2015, land use rights of RMB683,081,000 (2014: RMB274,852,000) were pledged as collateral for the Group's borrowings (Note 20).

8 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2015			
At 1 January 2015	19,138,427	5,243,169	24,381,596
Additions	10,602	1,737,716	1,748,318
Transfers	2,783,891	(2,783,891)	–
Transfers from completed properties held for sale	736,776	–	736,776
Fair value (losses)/gains – net	(382,711)	1,886,339	1,503,628
At 31 December 2015	22,286,985	6,083,333	28,370,318
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "other losses – net"	(382,711)	1,886,339	1,503,628
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	(382,711)	1,886,339	1,503,628
Year ended 31 December 2014			
At 1 January 2014	18,433,700	1,156,630	19,590,330
Additions	201,779	3,324,960	3,526,739
Fair value (loss)/gains – net	(162,254)	761,579	599,325
Transfers from property and equipment and land use rights (Note 6, 7)	689,765	–	689,765
Disposals	(24,563)	–	(24,563)
At 31 December 2014	19,138,427	5,243,169	24,381,596
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "other losses – net"	(162,254)	761,579	599,325
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	(162,254)	761,579	599,325

8 INVESTMENT PROPERTIES (CONTINUED)

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Rental income (Note 5)	552,096	444,772
Direct operating expenses arising from investment properties that generate rental income	(124,535)	(122,908)
Direct operating expenses arising from investment properties that do not generate rental income	(27,081)	(26,363)

Investment properties as at 31 December 2015 are held in the PRC on leases between 10 to 50 years (2014: same).

Borrowing costs of RMB406,711,000 (2014: RMB234,734,000) have been capitalised in investment properties under construction for the year ended 31 December 2015. The capitalisation rate of borrowings for the year ended 31 December 2015 was 7.52% (2014: 8.57%).

As at 31 December 2015, investment properties of RMB18,611,386,000 (2014: RMB20,554,430,000) were pledged as collateral for the Group's borrowings (Note 20).

Investment properties are shopping malls mainly located in Henan Province, Fujian Province, Shandong Province, Jiangsu Province, Anhui Province, Shanghai and Chongqing. 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 properites.

(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 2015. 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 2015, as certain of significant inputs used in the determination of fair value of investment properties are derivate from unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy (Note 2.8).

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

8 INVESTMENT PROPERTIES (CONTINUED)

(a) The following amounts have been recognised in the consolidated statement of comprehensive income: (continued)

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2015 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 annual reporting dates. As at 31 December 2015, the fair values of the properties have been determined by Savills Valuation and Professional Services Limited.

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.

(iii) Valuation techniques

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

Completed investment properties comprise of commercial properties and carparks. For commercial properties, fair values are generally derived using the term and reversion method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversion yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversion yields are derived from analysis prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. For carparks, valuations are determined using the direct comparison methods. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, locations.

8 INVESTMENT PROPERTIES (CONTINUED)

(a) The following amounts have been recognised in the consolidated statement of comprehensive income: (continued)

(iii) Valuation techniques (continued)

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

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

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

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

8 INVESTMENT PROPERTIES (CONTINUED)

(a) The following amounts have been recognised in the consolidated statement of comprehensive income: (continued)

(iii) Valuation techniques (continued)

	Property category	Fair value at 31 December 2014 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	19,138,427	Term and reversionary method	Term yields	3.5%-7.5%	The higher the term yields, the lower the fair value
				Reversion yields	4.5%-8%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square meter/ month)	73-346	The higher the market rents, the higher the fair value
Investment properties under construction	Commercial properties	5,243,169	Residual method	Market rents (RMB/square meter/ month)	69-156	The higher the market rents, the higher the fair value
				Market yields	5.0%-6.5%	The higher the market yields, the lower the fair value
				Budgeted construction costs to incurred (RMB/sq.m)	2,983-4,134	The higher the budgeted construction costs to incurred, the lower the fair value
				Developer's profit (%)	2%-10%	The higher the developer's profit, the lower the fair value

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

9 PROPERTIES UNDER DEVELOPMENT

	31 December	
	2015	2014
	RMB'000	RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	**4,613,516**	3,942,009
– Interests capitalised	**2,142,268**	2,119,465
– Land use rights	**6,254,930**	7,607,144
	13,010,714	13,668,618
Land use rights:		
Outside Hong Kong, held on leases of:		
– Over 50 years	**1,081,925**	2,102,250
– Between 10 to 50 years	**5,173,005**	5,504,894
	6,254,930	7,607,144

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

As at 31 December 2015, properties under development of approximately RMB3,765,840,000 (2014: RMB5,102,438,000) were pledged as collateral for the Group's borrowings (Note 20).

The capitalisation rate of borrowings for the year ended 31 December 2015 was 7.52% (2014: 8.57%).

10 COMPLETED PROPERTIES HELD FOR SALE

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

As at 31 December 2015, completed properties held for sale of approximately RMB2,919,939,000 (2014: RMB2,039,943,000) were pledged as collateral for the Group's borrowings (Note 20).

During the year of 2015, completed properties held for sale of approximately RMB736,776,000 were transferred to completed investment properties (Note 8).

11 TRADE AND OTHER RECEIVABLES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Trade receivables (Note (a))	1,213,454	1,214,071
– Related parties (Note 36(d))	–	38,395
– Third parties	1,213,454	1,175,676
Less: provision for impairment of trade receivables (Note (a))	(19,165)	(26,558)
Trade receivables – net	1,194,289	1,187,513
Deposits for acquisition of land use rights	171,600	41,600
Other receivables from:	1,026,654	967,614
– Related parties (Note 36(d))	288,651	298,936
– Third parties (Note (c))	738,003	668,678
	2,392,543	2,196,727

(a) The majority of the Group's sales are derived from sales of properties and rental income. The remaining amounts are with credit terms of related sales and purchase agreements and rental contracts.

	31 December 2015 RMB'000	31 December 2014 RMB'000
Not due	1,098,078	1,138,777
Over due	115,376	75,294
	1,213,454	1,214,071

As at 31 December 2015 and 2014, the ageing analysis of trade receivables of the Group were as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within 180 days	57,349	23,796
180 days to 365 days	43,884	34,064
Over 365 days	14,143	17,434
	115,376	75,294

As at 31 December 2015, trade receivables of RMB94,251,000 (2014: RMB37,741,000) were past due but not impaired. As the Group normally holds collateral of the properties before collection of the outstanding balances, the Group consider that these past due trade receivables would be recovered and no provision was made.

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (continued)

As at 31 December 2015, trade receivables of RMB21,125,000 were impaired (2014: RMB37,553,000) and a provision of RMB19,165,000 were provided (2014: RMB26,558,000). The individually impaired receivables mainly relate to certain lessees of the Group's investment properties, which are in unexpectedly difficult economic situations.

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
At 1 January	**26,558**	11,735
Provision for receivables impairment	**8,903**	15,958
Receivables written off during the year as uncollectible	**(16,296)**	(1,135)
At 31 December	**19,165**	26,558

(b) As at 31 December 2015 and 2014, the fair value of trade and other receivables approximated their carrying amounts.

(c) Trade and other receivables are interest free. The Group's trade and other receivables are denominated in RMB. Other receivables from third parties mainly consist of the deposits for projects development and payment for tenants. Except for those disclosed in Note 11(a), no material trade and other receivables were impaired or past due as at 31 December 2015 and 2014.

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

12 PREPAYMENTS

	31 December	
	2015 RMB'000	2014 RMB'000
Current portion		
Acquisition of land use rights (Note (a))	**573,494**	780,305
Construction materials – third parties	**98,035**	72,069
	671,529	852,374
Non-current portion		
Investing activities (Note (b))	**407,880**	–
	1,079,409	852,374

12 PREPAYMENTS (CONTINUED)

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

(b) In 2015, the Group had prepaid an total amount of RMB407,880,000 to invest in two private project companies in PRC. The prepayment is to acquire a parcel of land in Shanghai.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Opening amounts as at 1 January	**16,042**	30,801
Additions	**307,200**	–
Disposals	**–**	(14,500)
Revaluation gains/(losses) – net	**11,249**	(259)
Closing amounts as at 31 December	**334,491**	16,042

Available-for-sale financial assets include the following:

	31 December	
	2015 RMB'000	2014 RMB'000
Non-current unlisted securities:		
– Unlisted insurance company denominated in RMB (Note (a))	**318,000**	–
Current unlisted securities:		
– Unlisted private trust fund denominated in HK$ (Note (b))	**16,491**	16,042
	334,491	16,042

(a) In 2015, the Group invested in a private insurance company in the PRC (the "Investee"). The investment is denominated in RMB with an initial cost of RMB180,000,000. In December 2015, the Group has finished the capital injection with an total amount of RMB127,200,000. As at 31 December 2015, the shareholding of the Group was 5%. The fair value of the Investee is derived using the income approach based on present value techniques.

(b) The fair value of unlisted private trust fund is based on discounted cash flows using a rate based on the market interest rate and the risk premium specific to the private trust fund.

The maximum exposure to credit risk at the reporting date is the carrying value of the unlisted private trust fund classified as available-for-sale financial assets. There are no commitment and contingent liabilities relating to the Group's interests in the available-for-sale financial assets.

These financial assets were not past due or impaired as of 31 December 2015 and 2014.

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	31 December	
	2015	2014
	RMB'000	RMB'000
Non-current portion:		
Investments in joint ventures	**1,488,849**	1,512,375
Investments in associate	**35,100**	36,179
	1,523,949	1,548,554
Current portion (Note 36(d)):		
Amounts due to an associate	**(30,034)**	(40,000)
Amounts due to joint ventures	**(2,233,985)**	(2,192,759)
Amounts due from joint ventures	**267,275**	277,560
	(1,996,744)	(1,955,199)

Amounts due to an associate and joint ventures are unsecured, interest-free and repayable on demand.

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Joint ventures (Note (a))	**158,738**	(66)
Associate (Note (b))	**(1,079)**	(643)
	157,659	(709)

(a) Joint ventures

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At 1 January	**1,512,375**	1,112,150
Addition	**–**	429,551
Share of profit/(loss) – net	**158,738**	(66)
Transfer to a subsidiary (Note (i))	**(174,463)**	–
Elimination of unrealised profits	**(7,801)**	(29,260)
At 31 December	**1,488,849**	1,512,375

(i) In April 2015, the Group acquired 49% equity interest in Xiamen Powerlong Industry Co., Ltd. ("Xiamen Powerlong", a joint venture to the Group prior to the acquisition) at a cash consideration of RMB147,000,000. After the acquisition, Xiamen Powerlong became a wholly owned subsidiary of the Group. The consideration approximated the fair value of the acquired net assets of Xiamen Powerlong.

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(ii) Nature of investment in the joint ventures 2015 and 2014

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
2015:			
Tianjin Powerlong Jinjun Real Estate Co., Ltd. ("Tianjin Jinjun") 天津寶龍金駿房地產開發有限責任公司	PRC	65%	Equity
Powerlong Golden Wheel Coral Company Limited* 寶龍金輪珊瑚有限公司	BVI	51%	Equity
Baohui Real Estate (Hong Kong) Holdings Limited* 寶匯地產(香港)控股有限公司	Hong Kong	60%	Equity
Shanghai Powerlong Zhanyao Enterprises Development Limited* 上海寶龍展耀企業發展有限公司	PRC	45.9%	Equity
2014:			
Tianjin Jinjun	PRC	65%	Equity
Powerlong Golden Wheel Coral Company Limited* 寶龍金輪珊瑚有限公司	BVI	51%	Equity
Xiamen Powerlong Industry Co., Ltd. ("Xiamen Powerlong") 廈門寶龍實業有限公司	PRC	51%	Equity
Baohui Real Estate (Hong Kong) Holdings Limited.* 寶匯地產(香港)控股有限公司	Hong Kong	60%	Equity
Shanghai Powerlong Zhanyao Enterprises Development Limited* 上海寶龍展耀企業發展有限公司	PRC	45.9%	Equity

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

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

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

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

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

Summarised balance sheet

	31 December					
	2015			2014		
	Tianjin Jinjun RMB'000	Others RMB'000	Total RMB'000	Tianjin Jinjun RMB'000	Others RMB'000	Total RMB'000
Assets						
Current assets	3,266,590	4,271,680	7,538,270	3,302,056	2,298,279	5,600,335
Non-current assets	924,872	874,775	1,799,647	973,568	826,165	1,799,733
Total assets	4,191,462	5,146,455	9,337,917	4,275,624	3,124,444	7,400,068
Liabilities						
Current liabilities	(1,254,293)	(3,642,951)	(4,897,244)	(1,442,659)	(981,138)	(2,423,797)
Non-current liabilities	(1,224,927)	(866,345)	(2,091,272)	(1,155,282)	(1,373,000)	(2,528,282)
Total liabilities	(2,479,220)	(4,509,296)	(6,988,516)	(2,597,941)	(2,354,138)	(4,952,079)
Net assets	1,712,242	637,159	2,349,401	1,677,683	770,306	2,447,989

As at 31 December 2015, Tianjin Jinjun has cash and cash equivalents amounting to RMB68,581,000 (2014: RMB77,667,000). The total financial liabilities excluding trade payables in Tianjin Jinjun is RMB2,066,654,000 (2014: RMB2,116,946,000).

Summarised statement of comprehensive income

	Year ended 31 December					
	2015			2014		
	Tianjin Jinjun RMB'000	Others RMB'000	Total RMB'000	Tianjin Jinjun RMB'000	Others RMB'000	Total RMB'000
Revenue	213,616	–	213,616	384,127	–	384,127
Cost of goods sold	(185,739)	–	(185,739)	(313,737)	–	(313,737)
Fair value gains from investment properties	–	345,418	345,418	24,198	–	24,198
Interest income	373	944	1,317	343	5	348
Interest expense	–	–	–	(112)	(730)	(842)
Profit from continuing operations before tax	6,817	270,596	277,413	72,277	(44,521)	27,756
Income tax expense	27,741	(77,118)	(49,377)	(54,490)	–	(54,490)
Post-tax profit/(loss) from continuing operations	34,558	193,478	228,036	17,787	(44,521)	(26,734)
Total comprehensive income	34,558	193,478	228,036	17,787	(44,521)	(26,734)

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

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(iv) Reconciliation of summarised financial information

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

	Year ended 31 December					
	2015			2014		
	Tianjin Jinjun RMB'000	Others RMB'000	Total RMB'000	Tianjin Jinjun RMB'000	Others RMB'000	Total RMB'000
Opening net assets as at 1 January	1,677,683	770,306	2,447,989	1,659,896	–	1,659,896
Addition	–	–	–	–	814,827	814,827
Transfer to a subsidiary	–	(326,624)	(326,624)	–	–	–
Profit/(loss) for the year	34,559	193,477	228,036	17,787	(44,521)	(26,734)
Closing net assets as at 31 December	1,712,242	637,159	2,349,401	1,677,683	770,306	2,447,989
Less:						
– Joint venture partners' interests	(527,958)	(297,886)	(825,844)	(533,033)	(364,465)	(897,498)
– Elimination of unrealised profits	(21,458)	(13,250)	(34,708)	(22,675)	(15,441)	(38,116)
Interests in joint ventures (carrying value)	1,162,826	326,023	1,488,849	1,121,975	390,400	1,512,375

(b) The associate of the Group as at 31 December 2015 and 2014, which, in the opinion of the directors, is not material to the Group.

15 RESTRICTED CASH

	31 December 2015 RMB'000	2014 RMB'000
Guarantee deposit for construction projects (Note (a))	**115,886**	104,600
Guarantee deposit for bank acceptance notes (Note (b))	**350,212**	353,145
Guarantee deposits for bank borrowings (Note (c))	**581,159**	135,023
Others	**38,632**	10,919
	1,085,889	603,687
Denominated in:		
– RMB	**1,080,902**	601,627
– HK$	**4,987**	2,060
	1,085,889	603,687

(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 2015, the Group has placed cash deposits of approximately RMB350,212,000 (2014: RMB353,145,000) with designated banks as guarantee for the issuance of bank acceptance notes.

(c) As at 31 December 2015, the Group has placed cash deposits of approximately RMB581,159,000 (2014: RMB135,023,000) with designated banks as security for bank borrowings.

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

16 CASH AND CASH EQUIVALENTS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	**5,113,115**	4,286,677
– Denominated in HK$	**18,957**	5,149
– Denominated in US$	**507,771**	53,931
	5,639,843	4,345,757

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.

17 SHARE CAPITAL

	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 2014 31 December 2014 and 31 December 2015	30,000,000,000				
Issued and fully paid:					
As at 1 January 2015 and 31 December 2015	3,997,303,000	35,486	3,035,746	(91,536)	2,979,696
As at 1 January 2014	4,048,013,000	35,936	3,084,256	(84,721)	3,035,471
Buy-back of shares of the Company	(50,710,000)	(450)	(48,510)	–	(48,960)
Purchase of shares held for Share Award Scheme	–	–	–	(6,815)	(6,815)
At 31 December 2014	3,997,303,000	35,486	3,035,746	(91,536)	2,979,696

(a) Shares held for Share Award Scheme

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

17 SHARE CAPITAL (CONTINUED)

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

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

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

As at 31 December 2015, the Share Award Scheme Trust held 45,380,000 shares of the Company (2014: 45,380,000) (Note 18(d)).

18 OTHER RESERVES

	Merger reserve	Statutory reserves	Share-based compensation reserve	Revaluation reserves	Transaction with non-controlling interests	Total
	RMB'000 (Note (a))	RMB'000 (Note (b))	RMB'000 (Note (c) and Note (d))	RMB'000 (Note (e))	RMB'000	RMB'000
Balance at 1 January 2015	**337,203**	**36,574**	**54,824**	**227,745**	**8,481**	**664,827**
Pre-IPO Share Option Scheme (Note (c))	**–**	**–**	**(38,055)**	**–**	**–**	**(38,055)**
Share Award Scheme (Note (d))	**–**	**–**	**4,901**	**–**	**–**	**4,901**
Revaluation – net of tax	**–**	**–**	**–**	**8,549**	**–**	**8,549**
Appropriation to statutory reserves	**–**	**16,164**	**–**	**–**	**–**	**16,164**
Balance at 31 December 2015	**337,203**	**52,738**	**21,670**	**236,294**	**8,481**	**656,386**
Balance at 1 January 2014	337,203	36,448	51,707	78,625	8,481	512,464
Pre-IPO Share Option Scheme (Note (c))	–	–	(3,858)	–	–	(3,858)
Share Award Scheme (Note (d))	–	–	6,975	–	–	6,975
Revaluation – net of tax	–	–	–	149,120	–	149,120
Appropriation to statutory reserves	–	126	–	–	–	126
Balance at 31 December 2014	337,203	36,574	54,824	227,745	8,481	664,827

(a) Merger reserve

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

18 OTHER RESERVES (CONTINUED)

(b) Statutory reserves

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

(c) Pre-IPO Share Option Scheme

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

Particulars of share options as at 31 December 2015 and 2014 are as follows:

Vesting period	Expiry dates	Exercise price	Number of outstanding shares as at 31 December 2015	2014
4 years to 16 September 2013	15 September 2015	HK$2.475	–	4,468,000
5 years to 16 September 2014	15 September 2016	HK$2.475	**4,388,000**	4,468,000
			4,388,000	8,936,000

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

	Year ended 31 December 2015	2014
At 1 January	**8,936,000**	15,468,000
Forfeited	–	(1,984,000)
Expired	**(4,548,000)**	(4,548,000)
At 31 December	**4,388,000**	8,936,000

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

The fair value of options granted is HK$2.16 per option, which was determined using the Binomial Model by an independent valuer.

No expense recognised for employee services received in respect of the Pre-IPO Share Option Scheme for the year ended 31 December 2015 (2014: RMB1,546,000).

18 OTHER RESERVES (CONTINUED)

(d) Share Award Scheme

Movements in the total number of shares held under the Share Award Scheme trust for the year ended 31 December 2015 are as follows:

	Not awarded shares held for the Share Award Scheme Trust	Awarded shares held by the Share Award Scheme Trust
At 1 January 2015	**33,009,300**	**12,370,700**
Forfeited	**1,325,000**	**(1,325,000)**
At 31 December 2015	**34,334,300**	**11,045,700**
At 1 January 2014	31,295,000	7,058,000
Purchase of shares by the trust held for Share Award Scheme	7,027,000	–
Granted to employees	(8,958,000)	8,958,000
Forfeited	3,645,300	(3,645,300)
At 31 December 2014	33,009,300	12,370,700

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

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

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

In 2015, an aggregate of 1,325,000 shares granted were forfeited due to the resignation of certain eligible employees. The outstanding awarded shares as at 31 December 2015 were 11,045,700 (2014: 12,370,700) shares.

18 OTHER RESERVES (CONTINUED)

(d) Share Award Scheme (continued)

Particulars of awarded shares as at 31 December 2015 and 2014 are as follows:

Vesting period	Dates of grant	Market price at grant dates HK$/share	Number of outstanding shares as at 31 December 2015	2014
3 years	6 June 2013	1.27	2,636,200	2,859,350
4 years	6 June 2013	1.27	2,636,200	2,859,350
2 years	29 May 2014	1.11	2,886,650	3,326,000
3 years	29 May 2014	1.11	2,886,650	3,326,000
			11,045,700	12,370,700

The total expense recognised for employee and directors services received in respect of the Share Award Scheme for the year ended 31 December 2015 was RMB4,901,000 (2014: RMB6,975,000).

(e) Other comprehensive income

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

18 OTHER RESERVES (CONTINUED)

(e) Other comprehensive income (continued)

	Year ended 31 December 2014	
	Revaluation reserves RMB'000	Total other comprehensive income RMB'000
Items that will not be reclassified to profit or loss:		
Revaluation reserves of property and equipment and land use rights transferred to investment properties – gross (Note 6, 7)	199,172	199,172
Tax charge	(49,793)	(49,793)
	149,379	149,379
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on available-for-sale financial assets – gross (Note 13)	(259)	(259)
Tax charge	–	–
	(259)	(259)
Total other comprehensive income – net of tax	149,120	149,120
Total tax charge – deferred income tax		(49,793)

19 PERPETUAL CAPITAL INSTRUMENTS

In 2014, two wholly owned subsidiaries of the Company issued perpetual capital instruments (the "Perpetual Capital Instruments") with the aggregated principal amount of RMB1,300,000,000. The Perpetual Capital Instruments do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded as part of equity in the consolidated balance sheet.

20 BORROWINGS

	31 December 2015 RMB'000	2014 RMB'000
Borrowings included in non-current liabilities:		
Senior notes	5,277,750	3,871,221
– senior notes due November 2018 ("2018 Notes (II)") (Note (a)(i))	1,283,462	–
– senior notes due September 2017 ("2017 Notes") (Note (a)(ii))	1,524,981	1,514,307
– senior notes due January 2018 ("2018 Notes (I)") (Note (a)(iii))	1,665,367	1,558,977
– senior notes due May 2016 ("2016 Notes") (Note (a)(iv))	803,940	797,937
Bank borrowings – secured (Note (b))	12,605,732	9,904,974
Corporate Bonds (Note (c))	993,458	–
Other borrowings – secured (Note (d))	1,653,074	2,245,880
Borrowings under sale and lease back agreement – secured (Note (e))	–	36,569
Less: amounts due within one year	(3,894,476)	(1,764,601)
	16,635,538	14,294,043
Borrowings included in current liabilities:		
Bank borrowings	2,035,475	2,267,443
– secured (Note (b))	2,009,575	2,194,093
– unsecured	25,900	73,350
Other borrowings (Note (d))	81,000	258,897
– secured	60,000	258,897
– unsecured	21,000	–
Current portion of long-term borrowings	3,894,476	1,764,601
	6,010,951	4,290,941
Total borrowings	22,646,489	18,584,984

20 BORROWINGS (CONTINUED)

(a) Senior notes

(i) 2018 Notes (II)

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

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

	Year ended 31 December 2015 RMB'000
Fair value at the date of issuance	1,253,214
Interest expenses and amortisation of issuance costs	10,068
Foreign exchange losses – net	20,180
At 31 December	1,283,462

(ii) 2017 Notes and derivative financial instruments

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

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
At 1 January/at issuance date	1,514,307	1,465,536
Interest expenses and amortisation of issuance costs	171,923	48,771
Repayment of interest	(161,249)	–
At 31 December	1,524,981	1,514,307

On the issuance date of 2017 Notes, the Company entered into certain cross currency swaps ("2017 CCS") with a bank. According to the 2017 CCS, the Company exchanged RMB1,500,000,000 with the bank for equivalent US$244,409,000 ("2017 US$ Notional Amounts"). The Company need to pay interest at 9.5% per annum based on the 2017 US$ Notional Amounts at each interest payment date of 2017 Notes. On maturity of 2017 Notes, the Company need to deliver the 2017 US$ Notional Amounts to the bank in exchange with the 2017 RMB Notional Amounts.

2017 CCS is not designated as a hedging instrument but a derivative financial instrument and valued at fair value (Note 21).

20 BORROWINGS (CONTINUED)

(a) Senior notes (continued)

(iii) 2018 Notes (I)

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

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
At 1 January	**1,558,977**	1,561,245
Interest expenses and amortisation of issuance costs	**184,269**	184,606
Repayment of interest	**(172,229)**	(172,416)
Repurchase	**–**	(15,690)
Foreign exchange losses – net	**94,350**	1,232
At 31 December	**1,665,367**	1,558,977

(iv) 2016 Notes and derivative financial instruments

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

The 2016 Notes recognised in the balance sheet are calculated as follows:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
At 1 January	**797,937**	797,644
Interest expenses and amortisation of issuance costs	**81,529**	81,369
Repayment of interest	**(75,526)**	(76,000)
Repurchase	**–**	(5,076)
At 31 December	**803,940**	797,937

On the issuance date of 2016 Notes, the Company entered into certain cross currency swaps ("2016 CCS") with a bank. According to the 2016 CCS, the Company exchanged RMB800,000,000 with the bank for equivalent US$130,399,000 ("2016 US$ Notional Amounts"). The Company need to pay interest at 8.4% per annum based on the 2016 US$ Notional Amounts at each interest payment date of 2016 Notes. On maturity of 2016 Notes, the Company need to deliver the 2016 US$ Notional Amounts to the bank in exchange with the 2016 RMB Notional Amounts.

2016 CCS is not designated as a hedging instrument but a derivative financial instrument and valued at fair value (Note 21).

20 BORROWINGS (CONTINUED)

(b) Bank borrowings – secured

As at 31 December 2015, bank borrowings of RMB14,615,307,000 (2014: RMB12,099,067,000) were secured by property and equipment (Note 6), land use rights (Note 7), investment properties (Note 8), properties under development (Note 9), completed properties held for sale (Note 10) and restricted cash (Note 15); the secured bank borrowings of RMB4,852,785,300 (2014: RMB3,682,220,000) were additionally guaranteed by certain related parties (Note 36(b)(ii)).

(c) Corporate bonds

On 4 December 2015, a PRC subsidiary of the Group issued 7.5%, five-year PRC non-public corporate bonds with an aggregated principal amount of RMB500,000,000 at 100% of the face value.

On 28 December 2015, the Company issued 7.3%, five-year and 6.8%, four-year PRC non-public corporate bonds with an aggregated principal amount of RMB500,000,000 at 100% of the face value.

(d) Other borrowings – secured

As at 31 December 2015, borrowings from other financial institutions of RMB1,713,074,000 (2014: RMB2,504,777,000) were secured by land use rights (Note 7), investment properties (Note 8), properties under development (Note 9) and completed properties held for sale (Note 10).

(e) Borrowings under sale and lease back agreement – secured

In 2012, the Group has entered into a sale and lease back agreement with an independent third party for certain machinery and equipment installed in the Group's property and equipment and investment properties. The lease period is three years and the Group has an option to take up the machinery and equipment at the end of the lease period at nil consideration. This transaction was treated as a finance lease and thus, the machinery and equipment has not been derecognised, the present value of total lease payments was recognised as borrowings under sale and lease back agreement of the Group and the finance charges of the borrowings are calculated under the effective interest method and recognised as finance costs of the Group.

The present value of borrowings under sale and lease back agreement is as follows:

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
No later than 1 year	–	36,569

20 BORROWINGS (CONTINUED)

(f) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier at the end of the year 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 2015	**5,080,547**	**6,470,680**	**4,954,311**	**130,000**	**16,635,538**
At 31 December 2014	2,248,415	6,185,060	5,616,068	244,500	14,294,043
Borrowings included in current liabilities:					
At 31 December 2015	**3,709,139**	**2,301,812**	**–**	**–**	**6,010,951**
At 31 December 2014	2,932,611	1,358,330	–	–	4,290,941

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

	31 December 2015		31 December 2014	
	Carrying amount RMB'000	**Fair Value RMB'000**	Carrying amount RMB'000	Fair Value RMB'000
2018 Notes II (Note (i))	**1,273,966**	**1,294,603**	–	–
2017 Notes (Note (i))	**1,479,035**	**1,489,365**	1,468,362	1,479,135
2018 Notes (Note (ii))	**1,585,809**	**1,561,251**	1,484,009	1,478,964
2016 Notes (Note (ii))	**–**	**–**	790,817	787,363
Corporate bonds	**990,393**	**1,000,000**	–	–
Bank borrowings (Note (iii))	**10,398,239**	**10,499,438**	8,559,975	8,615,356
Other borrowings (Note (iii))	**908,096**	**908,096**	1,990,880	1,990,880
	16,635,538	**16,752,753**	14,294,043	14,351,698

Notes:

(i) The fair values are determined directly by references to the price quotations published by Singapore Exchange Limited on 31 December 2015 and 2014, using the pricing of dealing date and are within level 1 of the fair value hierarchy.

(ii) The fair values are determined directly by references to the price quotations published by the Stock Exchange on 31 December 2015 and 2014, using the pricing of dealing date and are within level 1 of the fair value hierarchy.

(iii) The fair values are 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 are within level 2 of the fair value hierarchy.

20 BORROWINGS (CONTINUED)

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

	Senior notes RMB'000	Corporate bonds RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
As at 31 December 2015					
1–2 years	1,753,145	72,988	5,217,617	463,766	7,507,516
2–5 years	2,585,666	917,404	4,058,622	444,330	8,006,022
Over 5 years	–	–	1,122,000	–	1,122,000
	4,338,811	990,392	10,398,239	908,096	16,635,538
As at 31 December 2014					
1–2 years	1,129,632	–	4,400,846	1,282,500	6,812,978
2–5 years	2,613,556	–	2,514,879	708,380	5,836,815
Over 5 years	–	–	1,644,250	–	1,644,250
	3,743,188	–	8,559,975	1,990,880	14,294,043

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

	Senior notes RMB'000	Corporate bonds RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Borrowings under sale and lease back agreement RMB'000	Total RMB'000
As at 31 December 2015						
Within 1 year	803,940	–	3,813,768	792,213	–	5,409,921
Between 1 and 2 years	1,524,981	–	4,103,417	430,000	–	6,058,398
Between 2 and 5 years	2,948,829	993,458	4,239,022	511,861	–	8,693,170
Over 5 years	–	–	2,485,000	–	–	2,485,000
	5,277,750	993,458	14,641,207	1,734,074	–	22,646,489
As at 31 December 2014						
Within 1 year	–	–	3,025,443	1,233,897	36,569	4,295,909
Between 1 and 2 years	797,937	–	3,435,658	1,270,880	–	5,504,475
Between 2 and 5 years	3,073,284	–	2,261,816	–	–	5,335,100
Over 5 years	–	–	3,449,500	–	–	3,449,500
	3,871,221	–	12,172,417	2,504,777	36,569	18,584,984

20 BORROWINGS (CONTINUED)

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

	31 December 2015	2014
Senior notes	11.08%	11.88%
Bank and other borrowings	6.35%	7.04%
Corporate bonds	7.30%	–
Borrowings under sale and lease back agreement	–	7.65%

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

	31 December 2015 RMB'000	2014 RMB'000
RMB	16,491,451	13,705,249
HK$	857,570	750,719
US$	5,297,468	4,129,016
	22,646,489	18,584,984

(l) As at 31 December 2015 and 2014, the Group had the following undrawn borrowing facilities:

	31 December 2015 RMB'000	2014 RMB'000
Floating rate:		
– expiring within 1 year	–	75,581
– expiring beyond 1 year	525,000	757,710
	525,000	833,291

21 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2015 and 2014, the Group had the following derivative financial instruments:

	31 December	
	2015 RMB'000	2014 RMB'000
Non-current portion:		
– 2017 CCS as a liability (Note 20(a) (ii))	170,907	54,135
– 2016 CCS as a liability (Note 20(a) (iv))	–	27,043
	170,907	81,178
Current portion:		
– 2016 CCS as a liability (Note 20(a) (iv))	70,949	–

22 DEFERRED INCOME TAX

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

	31 December	
	2015 RMB'000	2014 RMB'000
Deferred income tax assets:		
To be realised after more than 12 months	259,035	249,578
To be realised within 12 months	135,689	130,735
	394,724	380,313
Deferred income tax liabilities to be settled after more than 12 months	(3,685,327)	(3,314,613)
Deferred income tax liabilities– net	(3,290,603)	(2,934,300)

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
At 1 January	(2,934,300)	(2,984,522)
Tax (charged in) /credited to consolidated income statement (Note 30)	(353,603)	100,015
Tax charge relating to components of other comprehensive income (Note 18)	(2,700)	(49,793)
At 31 December	(3,290,603)	(2,934,300)

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:

22 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets

	Temporary difference on unrealised profit of inter-company transactions	Tax losses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2015	**250,684**	**191,193**	**441,877**
Tax credited to consolidated income statement	**8,139**	**21,174**	**29,313**
At 31 December 2015	**258,823**	**212,367**	**471,190**
At 1 January 2014	149,089	96,661	245,750
Tax credited to consolidated income statement	101,595	94,532	196,127
At 31 December 2014	250,684	191,193	441,877

Deferred income tax liabilities

	Temporary difference on unrealised profit of inter-company transactions	Temporary difference on revaluation gains of investment properties	Temporary difference on revaluation reserves recognised in other comprehensive income	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	**(3,101)**	**(3,295,547)**	**(77,529)**	**(3,376,177)**
Tax charged in consolidated income statement	**(527)**	**(382,389)**	**–**	**(382,916)**
Tax charge relating to components of other comprehensive income	**–**	**–**	**(2,700)**	**(2,700)**
At 31 December 2015	**(3,628)**	**(3,677,936)**	**(80,229)**	**(3,761,793)**
At 1 January 2014	(2,776)	(3,199,760)	(27,736)	(3,230,272)
Tax charged in consolidated income statement	(325)	(95,787)	–	(96,112)
Tax charge relating to components of other comprehensive income	–	–	(49,793)	(49,793)
At 31 December 2014	(3,101)	(3,295,547)	(77,529)	(3,376,177)

22 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 RMB27,457,000 (2014:RMB35,037,000) in respect of losses amounting to RMB109,826,000 (2014:RMB148,735,000) that can be carried forward against future taxable income. The tax losses could be carried forward for a maximum of five years.

Deferred income tax liabilities of RMB1,734,808,000 (2014:RMB1,420,903,000) 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 RMB19,494,339,000 at 31 December 2015 (2014:RMB16,560,097,000), as the Group does not have a plan to distribute these earnings out of the PRC.

23 TRADE AND OTHER PAYABLES

	31 December	
	2015 **RMB'000**	2014 RMB'000
Trade payables	**4,852,330**	3,226,856
– Related parties (Note 36 (d))	**31,859**	19,471
– Third parties	**4,249,674**	2,801,559
– Notes payable – third parties	**570,797**	405,826
Other payables and accruals	**4,278,769**	3,890,929
– Related parties (Note 36 (d))	**2,995,850**	2,667,462
– Third parties	**1,282,919**	1,223,467
Payables for retention fee	**370,903**	290,554
Payables for acquisition of land use rights	**282,021**	127,385
Other taxes payables	**166,874**	191,358
	9,950,897	7,727,082

As at 31 December 2015 and 2014, the ageing analysis of trade payables based on invoice date were as follows:

	31 December	
	2015 **RMB'000**	2014 RMB'000
Within 90 days	**1,507,787**	1,276,894
Over 90 days and within 180 days	**2,048,149**	869,601
Over 180 days and within 365 days	**537,941**	272,872
Over 365 days and within 3 years	**758,453**	807,489
	4,852,330	3,226,856

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

24 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	31 December	
	2015 **RMB'000**	2014 RMB'000
Current income tax liabilities		
– PRC corporate income tax payable	**1,658,914**	1,309,007
– Withholding income tax for the profits to be distributed from the group companies in the PRC	**110,300**	110,300
– PRC land appreciation tax payable	**1,046,562**	775,084
	2,815,776	2,194,391

25 EXPENSES BY NATURE

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

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
Cost of properties sold (excluding staff costs)	**6,489,811**	5,565,321
Staff costs (including directors'emoluments) (Note 26)	**755,247**	638,680
Business taxes and other levies (Note (a))	**683,069**	576,474
Advertising costs	**269,834**	272,958
Cost of hotel operations (excluding staff costs)	**190,162**	170,989
Depreciation (Note 6)	**133,269**	132,665
Cost of property management service (excluding staff costs)	**159,776**	99,955
Office lease payments	**15,466**	16,131
Amortisation of land use rights	**22,853**	15,846
Donations to governmental charity	**30,038**	10,641
Auditor's remuneration	**5,999**	5,618
– Audit services	**4,300**	4,280
– Non-audit services	**1,699**	1,338

25 EXPENSES BY NATURE (CONTINUED)

(a) Business taxes

The group entities established in the PRC are subject to business taxes on their revenue at the following rates:

Category	Rate
Sales of properties	5%
Property construction and decoration	3%
Rental income	5%
Property management	5%
Hotel service	5%

26 STAFF COSTS

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Wages and salaries	**621,831**	521,067
Pension costs– statutory pension	**96,020**	76,773
Other staff welfare and benefits	**32,495**	32,319
Value of employee services under:		
– Pre-IPO Share Option Scheme	**–**	1,546
– Share Award Scheme	**4,901**	6,975
	755,247	638,680

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including two (2014: four) directors whose emoluments are reflected in the analysis presented in note 39. The aggregate amounts of emoluments of the remaining three (2014: one) individuals during the year are set out below:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Wages and salaries	**1,896**	582
Retirement scheme contributions	**217**	61
Housing allowance	**288**	96
Pre-IPO Share Option Scheme	**–**	96
Share Award Scheme	**641**	335
	3,042	1,170

26 STAFF COSTS (CONTINUED)

(a) Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands (in HK$)		
HK$1,000,000– HK$1,500,000	**3**	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.

27 OTHER LOSSES – NET

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Gains on disposal of investment properties	**–**	(10,914)
Investment income from financial instruments	**(20,092)**	(6,469)
Fair value losses on derivative financial instruments (Note 21)	**160,678**	92,584
Early redemption cost of 2015 Notes	**–**	49,762
	140,586	124,963

28 EXCHANGE (LOSSES) /GAINS – NET

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

29 FINANCE COSTS – NET

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Interest expenses:		
Bank borrowings, other borrowings and borrowings under sale and lease back agreement	**1,154,365**	1,053,566
Senior notes	**447,789**	570,569
Corporate bonds	**298**	–
Less:interest capitalised	**(1,508,424)**	(1,597,915)
	94,028	26,220
Foreign exchange losses on financing activities– net	**388,840**	4,386
Less: capitalised	**(118,679)**	–
	270,161	4,386
	364,189	30,606

30 INCOME TAX EXPENSES

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Current income tax:		
PRC corporate income tax	**608,909**	643,865
PRC land appreciation tax	**550,256**	90,490
Reversal of withholding income tax for profits to be distributed from the group companies in the PRC	**–**	17,000
Deferred income tax:		
PRC corporate income tax	**353,603**	(100,015)
	1,512,768	651,340

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

30 INCOME TAX EXPENSES (CONTINUED)

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	
	2015 RMB'000	2014 RMB'000
Profit before income tax	3,847,857	2,158,934
Calculated at applicable corporate income tax rate	1,092,702	527,213
Effect of expenses not deductible for income tax	20,133	9,597
Effect of income not subject to income tax	(801)	(1,367)
Share of (profit) /loss of investments accounted for using the equity method	(39,415)	177
Tax losses for which no deferred income tax asset was recognised	27,457	30,853
PRC land appreciation tax deductible for PRC corporate income tax purposes	(137,564)	(22,623)
	962,512	543,850
Reversal of withholding income tax for profits to be distributed by certain group companies in the PRC	–	17,000
PRC land appreciation tax	550,256	90,490
	1,512,768	651,340

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 CIT 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 may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax ("LAT")

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

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

30 INCOME TAX EXPENSES (CONTINUED)

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 direct subsidiary in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

Hong Kong profits tax

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

31 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group and held for Share Award Scheme (Note 18 (d)) .

	Year ended 31 December	
	2015	2014
Profit attributable to owners of the Company (RMB'000)	**2,071,110**	1,370,828
Weighted average number of ordinary shares in issue (thousand shares)	**3,951,923**	3,966,152
Basic earnings per share (RMB cents per share)	**52.41**	34.56

(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. The Company has two categories of dilutive potential ordinary shares: Pre-IPO Share Option Scheme and Share Award Scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options under the two schemes. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the two schemes.

31 EARNINGS PER SHARE (CONTINUED)

(b) Diluted (continued)

	Year ended 31 December	
	2015	2014
Profit attributable to owners of the Company (RMB'000)	**2,071,110**	1,370,828
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**3,958,607**	3,968,511
– Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**3,951,923**	3,966,152
– Adjustment for share options and awarded shares (thousand shares)	**6,684**	2,359
Diluted earnings per share (RMB cents per share)	**52.32**	34.54

32 DIVIDENDS

The Board recommended the payment of a final dividend of HK$9.0 cents (equivalent to RMB7.54 cents) per ordinary share. The totalling amount of HK$359,756,000 (equivalent to RMB301,397,000) is based on the ordinary shares in issue as of 31 December 2015. Such dividend is subject to approval by the shareholders at the Annual General Meeting on 13 June 2016. These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
Proposed final dividends	**301,397**	252,278

33 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before taxation	**3,847,857**	2,158,934
Adjustments for:		
Depreciation (Note 6)	**133,269**	132,665
Amortisation of land use rights recognised as expense (Note 7)	**22,853**	15,846
Fair value gains on investment properties – net (Note 8)	**(1,503,628)**	(599,325)
Share of (profit) /loss of investments accounted for using the equity method (Note 14)	**(157,659)**	709
Amortisation of Share Award Scheme (Note 18)	**4,901**	8,521
Other losses – net	**140,586**	124,963
Finance costs – net (Note 29)	**364,189**	30,606
Effect of foreign exchange rate changes	**9,178**	(4,721)
Changes in operating capital:		
Properties under construction and completed properties held for sale	**(1,677,776)**	(3,668,367)
Restricted cash	**(36,066)**	(213,904)
Trade and other receivables	**(18,567)**	64,469
Prepayments	**457,726**	1,685,694
Financial assets at fair value through profit or loss	**1,500**	13,100
Trade and other payables	**1,243,838**	1,049,808
Advances from customers	**(78,657)**	455,690
Cash generated from operation	**2,753,544**	1,254,688

34 FINANCIAL GUARANTEE CONTRACTS

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

	31 December	
	2015	2014
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**8,062,268**	6,462,924
Guarantees for borrowings of joint ventures (Note (b))	**2,158,830**	1,670,730
	10,221,098	8,133,654

34 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 of the Company are of the view that the fair value of financial guarantees is not significant.

(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 and understand the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

35 COMMITMENTS

(a) Commitments for property development expenditures

	31 December	
	2015 RMB'000	2014 RMB'000
Contracted but not provided for:		
Properties development activities	**5,613,503**	6,261,982
Acquisition of land use rights	**1,016,049**	41,461
	6,629,552	6,303,443

(b) Operating leases commitments

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

	31 December	
	2015 RMB'000	2014 RMB'000
– Not later than one year	**4,152**	15,887
– Later than one year and not later than two years	**2,436**	1,862
– Later than two years and not later than three years	**1,735**	191
	8,323	17,940

36 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

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

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

(i) During the year ended 31 December 2015 and 2014, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Sales of Properties:		
– Mr. Hoi Wa Fong	–	33,346
Rental income from related parties:		
– Fuzhou Powerlong Amusement Management Company Limited	2,939	2,308
Property management fee income:		
– Related parties ultimately controlled by Mr. Hoi Kin Hong	772	883
Purchase of office equipment and security intelligentisation system services from related parties:		
– Fujian Ping An Security Devices and Network Limited	57,876	23,582
– Xiamen Powerlong Information Industry Co., Ltd.	4,064	5,424
	61,940	29,006
Hotel accommodation service fee charged by a related party:		
– Macau Powerlong Group	707	1,143
Sales of construction materials to joint ventures:		
– Tianjin Jinjun	25,888	44,335
– Golden Wheel	14,667	7,209
– Hangzhou Xiaoshan	5,417	21,254
– Xiamen Powerlong	–	38,701
	45,972	111,499
Consultation services provided to joint ventures:		
– Tianjin Jinjun	3,791	17,985
– Hangzhou Xiaoshan	11,928	4,369
– Xiamen Powerlong	–	9,384
	15,719	31,738
Guarantees for borrowings to joint ventures:		
– Tianjin Jinjun	1,098,830	1,020,730
– Hangzhou Xiaoshan	280,000	650,000
– Fuyang Zhanyao	632,000	–
– Golden Wheel	148,000	–
	2,158,830	1,670,730

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

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

(ii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB4,852,785,300 at 31 December 2015 (2014:bank borrowings of RMB3,682,220,000) (Note 20).

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

(c) Key management compensation

Key management compensation is set out below:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Key management compensation:		
– Salaries and other employee benefits	**13,339**	13,434
– Pension costs	**791**	709
	14,130	14,143

(d) Balances with related parties

As at 31 December 2015, the Group had the following material balances with related parties:

	31 December	
	2015 RMB'000	2014 RMB'000
Amounts due from related parties included in trade receivables (Note (i)) :		
Amounts due from a related party		
– Fuzhou Powerlong Amusement Management Company Limited	**–**	42
Amounts due from joint ventures		
– Xiamen Powerlong	**–**	30,538
– Tianjin Jinjun	**–**	7,815
	–	38,353
Total amounts due from related parties included in trade receivables	**–**	38,395
Amounts due from related parties included in other receivables (Note (ii)) :		
Amounts due from a related party		
– Powerlong Group Development Co., Ltd.	**21,376**	21,376
Amounts due from joint ventures		
– Shanghai Zhanyao	**–**	10,285
– Baohui Real Estate (Hong Kong) Holdings Limited	**267,275**	267,275
	267,275	277,560
Total amounts due from related parties included in other receivables	**288,651**	298,936

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (continued)

	31 December 2015 RMB'000	31 December 2014 RMB'000
Amounts due to related parties included in trade payables (Note (i)) :		
Amounts due to other related parties		
– Fujian Ping An Security Devices and Network Limited	14,080	16,357
– Other related entities ultimately controlled by Mr. Hoi Kin Hong	272	614
	14,352	16,971
Amounts due to joint ventures		
– Tianjin Jinjun	8,240	–
– Hangzhou Xiaoshan	6,216	–
– Golden Wheel	551	–
– Xiamen Powerlong	–	2,500
	15,007	2,500
Amounts due to an associate		
– Quanzhou Shangquan Industrial Development Co., Ltd.	2,500	–
Total amounts due to related parties included in trade payables	31,859	19,471
Amounts due to related parties included in other payables (Note (ii)) :		
Amounts due to other related parties and ultimate controlling shareholder		
– Powerlong Group Development Co., Ltd.	514,203	229,651
– Great Merchant Limited	184,282	172,152
– Mr. Hoi Kin Hong	32,900	32,900
– Fuzhou Powerlong Amusement Management Company Limited	446	–
	731,831	434,703
Amounts due to joint ventures		
– Tianjin Jinjun	1,106,480	1,354,145
– Golden Wheel	82,220	13,500
– Hangzhou Xiaoshan	303,499	638,789
– Shanghai Zhanyao	741,786	–
– Xiamen Powerlong	–	186,325
	2,233,985	2,192,759
– Quanzhou Shangquan Industrial Development Co., Ltd. (Note 14)	30,034	40,000
Total amounts due to related parties included in other payables	2,995,850	2,667,462

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (continued)

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

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

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

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

	31 December		Maximum amount outstanding for the year ended 31 December	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Related entities ultimately controlled by Mr. Hoi Kin Hong (Note (d))	**21,376**	21,418	**21,418**	74,988

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2015 are set out below.

Name	Place and date of incorporation/ establishment	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	HK$100	100%	–	Investment holding in British Virgin Islands
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 5 July 2007	HK$1	100%	–	Investment holding in Hong Kong
Wide Evolution Limited	Hong Kong 11 February 2008	HK$1	100%	–	Investment holding in Hong Kong
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	US$8,000,000	100%	–	Property development and property investment in the PRC
蘇州寶龍房地產發展有限公司 Suzhou Powerlong Real Estate Development Co., Ltd.	the PRC 5 August 2004	US$10,000,000	100%	–	Property development and property investment in the PRC

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	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
鄭州寶龍置業發展有限公司 Zhengzhou Pou Long Real Estate Development Co., Ltd.	the PRC 7 April 2005	RMB700,000,000	100%	–	Property development and property investment in the PRC
山東寶龍實業發展有限公司 Shandong Powerlong Industrial Development Co., Ltd.	the PRC 7 June 2005	RMB100,000,000	100%	–	Property development and property investment in the PRC
蚌埠寶龍置業有限公司 Bengbu Powerlong Real Estate Co., Ltd.	the PRC 21 February 2006	RMB20,000,000	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 3 March 2006	RMB80,000,000	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	RMB660,000,000	100%	–	Property development and property investment in the PRC
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd.	the PRC 29 August 2006	RMB80,000,000	100%	–	Hotel operation in the PRC
無錫寶龍房地產發展有限公司 Wuxi Powerlong Real Estate Development Co., Ltd.	the PRC 1 November 2006	US$15,000,000	80%	20%	Property development and property investment in the PRC
無錫玉祁寶龍置業有限公司 Wuxi Yuqi Powerlong Property Co., Ltd.	the PRC 27 February 2007	US$15,000,000	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	US$60,000,000	100%	–	Property development and property investment in the PRC
宿遷寶龍置業發展有限公司 Suqian Powerlong Property Development Company Limited	the PRC 10 December 2007	RMB100,000,000	100%	–	Property development and property investment in the PRC

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
煙台寶龍體育置業有限公司 Yantai Powerlong Real Estate Co., Ltd.	the PRC 19 December 2007	US$54,950,000	100%	–	Property development and property investment in the PRC
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Development Co., Ltd.	the PRC 25 December 2007	US$80,000,000	100%	–	Property development and property investment in the PRC
鹽城寶龍置業發展有限公司 Yancheng Powerlong Real Estate Development Co., Ltd.	the PRC 13 May 2008	US$75,000,000	100%	–	Property development and property investment in the PRC
常州寶龍置業發展有限公司 Changzhou Powerlong Real Estate Development Co., Ltd.	the PRC 30 June 2008	US$199,600,000	100%	–	Property development and property investment in the PRC
青島寶龍置業發展有限公司 Qingdao Powerlong Property Development Company Limited	the PRC 24 November 2009	US$56,000,000	100%	–	Property development and property investment in the PRC
安溪寶龍置業發展有限公司 Anxi Powerlong Property Development Co., Ltd.	the PRC 27 January 2010	RMB52,500,000	85%	15%	Property development and property investment in the PRC
重慶寶龍長潤置業發展有限公司 Chongqing Powerlong Real Estate Co., Ltd.	the PRC 28 October 2010	US$30,000,000	100%	–	Property development and property investment in the PRC
杭州寶龍房地產開發有限公司 Hangzhou Powerlong Real Estate Development Co., Ltd.	the PRC 14 December 2010	US$199,900,000	100%	–	Property development and property investment in the PRC
晉江市晉龍實業發展有限公司 Jinjiang Jinlong Industrial Development Co., Ltd.	the PRC 20 December 2010	RMB100,000,000	100%	–	Property development and property investment in the PRC
天津寶龍城房地產開發有限公司 Tianjin Powerlong City Real Estate Development Co., Ltd.	the PRC 9 March 2011	RMB300,000,000	100%	–	Property development and property investment in the PRC

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	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
上海寶龍華睿房地產開發有限公司 Shanghai Powerlong Huarui Real Estate Development Co., Ltd.	the PRC 23 March 2011	RMB100,000,000	100%	–	Property development and property investment in the PRC
天津寶龍圓房地產開發有限公司 Tianjin Powerlong Garden Real Estate Development Co., Ltd.	the PRC 11 April 2011	RMB100,000,000	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	RMB100,000,000	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 9 November 2011	US$40,000,000	69.35%	30.65%	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 6 June 2012	US$15,000,000	100%	–	Property development and property investment in the PRC
青島寶龍英聚置地發展有限公司 Qingdao Powerlong Yingju Real Estate Development Co., Ltd	the PRC 5 June 2013	US$20,000,000	75%	25%	Property development and property investment in the PRC
青島寶龍英聚文化旅遊開發有限公司 Qingdao Powerlong Yingju Cultural Tourism Development Co., Ltd	the PRC 7 June 2013	US$15,000,000	75%	25%	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	RMB100,000,000	100%	–	Property development and property investment in the PRC
淮安寶龍建設發展有限公司 Huaian Powerlong Construction Development Co. Ltd.	the PRC 3 September 2013	US$30,000,000	100%	–	Property development and property investment in the PRC
煙台寶龍房地產開發有限公司 Yantai Powerlong Real Estate Development Co., Ltd.	the PRC 8 November 2013	US$15,000,000	100%	–	Property development and property investment in the PRC

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	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
富陽寶龍房地產開發有限公司 Fuyang Powerlong Real Estate Development Co., Ltd.	the PRC 30 October 2013	US$57,000,000	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	RMB10,000,000	100%	–	Property development and property investment in PRC
永春寶龍房地產開發有限公司 Yongchun Powerlong Real Estate Development Co., Ltd	the PRC 15 January 2014	RMB150,000,000	51%	49%	Property development and property investment in PRC
東營寶龍房地產開發有限公司 Dongying Powerlong Real Estate Development Co., Ltd	the PRC 14 February 2014	RMB338,000,000	100%	–	Property development and property investment in PRC
上海寶龍瑞勝房地產開發有限公司 Shanghai Powerlong Ruisheng Real Estate Development Co., Ltd	the PRC 7 March 2014	RMB180,000,000	100%	–	Property development and property investment in PRC
上海寶龍富嘉房地產開發有限公司 Shanghai Powerlong Fujia Real Estate Development Co., Ltd	the PRC 9 July 2014	RMB50,000,000	70%	30%	Property development and property investment in PRC
上海寶龍精駿房地產開發有限公司 Shanghai Powerlong Jingjun Real Estate Development Co., Ltd	the PRC 18 March 2015	RMB50,000,000	100%	–	Property development and property investment in PRC
上海寶龍富閩房地產開發有限公司 Shanghai Powerlong Fumin Real Estate Development Co., Ltd	the PRC 26 November 2015	RMB100,000,000	100%	–	Property development and property investment in PRC

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

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

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		6,303,334	6,298,433
Current assets			
Amounts due from subsidiaries		6,450,865	5,173,948
Restricted cash		12,042	1,827
Cash and cash equivalents		452,102	17,287
		6,915,009	5,193,062
Total assets		13,218,343	11,491,495
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium		2,979,696	2,979,696
Other reserves	(a)	21,670	54,824
Retained earnings	(a)	(72,920)	300,200
Total equity		2,928,446	3,334,720
LIABILITIES			
Non-current liabilities			
Borrowings		5,582,381	5,511,803
Derivative financial instruments		170,907	81,178
		5,753,288	5,592,981
Current liabilities			
Other payables and accruals		53,899	55,000
Amounts due to subsidiaries		102,352	582,033
Borrowings		4,309,409	1,926,761
Derivative financial instruments		70,949	–
		4,536,609	2,563,794
Total liabilities		10,289,897	8,156,775
Total equity and liabilities		13,218,343	11,491,495

The balance sheet of the Company was approved by the Board of Directors on 15 March 2016 and was signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

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

(a) Reserve movement of the Company

	Retained earnings RMB'000	Other reserves RMB'000
At 1 January 2014	182,468	51,707
Profit for the year	112,328	–
Share Award Scheme	–	6,975
Pre-IPO Share Option Scheme	5,404	(3,858)
As at 31 December 2014	300,200	54,824
At 1 January 2015	**300,200**	**54,824**
Loss for the year	**(158,897)**	–
Pre-IPO Share Option Scheme	**38,055**	**(38,055)**
Share Award Scheme	–	**4,901**
Dividends	**(252,278)**	–
As at 31 December 2015	**(72,920)**	**21,670**

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

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

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

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Housing allowance RMB'000	Pre-IPO Share Option Scheme RMB'000	Share Award Scheme RMB'000	Total RMB'000
Executive directors							
Mr. Hoi Kin Hong	720	–	240	–	–	293	1,253
Mr. Hoi Wa Fong	480	–	240	–	–	234	954
Mr. Xiao Qing Ping	492	21	240	104	–	242	1,099
Ms. Shih Sze Ni	360	–	240	–	–	150	750
Mr. Zhang Hong Feng (Note (a))	652	80	50	96	–	55	933
Mr. Guo Jun (Note (b))	265	46	180	56	–	–	547
Non-executive director							
Ms. Hoi Wa Fan	–	–	146	–	–	–	146
Independent non-executive directors							
Mr. Ngai Wai Fung	–	–	195	–	–	–	195
Mr. Mei Jian Ping	–	–	195	–	–	–	195
Mr. Ding Zu Yu	–	–	195	–	–	–	195
	2,969	147	1,921	256	–	974	6,267

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

For the year ended 31 December 2014 (Restated) :

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap.622) .

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	Housing allowance RMB'000	Pre-IPO Share Option Scheme RMB'000	Share Award Scheme RMB'000	Total RMB'000
Executive directors							
Mr. Hoi Kin Hong	600	–	240	–	421	407	1,668
Mr. Hoi Wa Fong	360	–	240	–	132	330	1,062
Mr. Xiao Qing Ping	372	20	240	104	108	351	1,195
Ms. Shih Sze Ni	240	–	240	–	72	213	765
Mr. Guo Jun (Note (b))	462	75	180	96	–	234	1,047
Non-executive directors							
Ms. Liu Xiao Lan	–	–	36	–	18	–	54
Ms. Hoi Wa Fan	–	–	144	–	–	–	144
Independent non-executive directors							
Mr. Ngai Wai Fung	–	–	192	–	–	–	192
Mr. Mei Jian Ping	–	–	192	–	–	–	192
Ms. Nie Mei Sheng	–	–	160	–	–	–	160
Mr. Ding Zu Yu	–	–	16	–	–	–	16
	2,034	95	1,880	200	751	1,535	6,495

Notes:

a. Mr. Zhang Hong Feng has been appointed as an executive director of the Company with effect from 14 October 2015.

b. Mr. Guo Jun has retired as an executive director of the Company with effect from 13 October 2015 upon the expiry of his service contract.

(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 2015.

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

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

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

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

Name of the borrower	Nature of connection	Total amount payable RMB'000	Outstanding/ Aggregate outstanding amounts at the beginning of the year RMB'000	Outstanding/ Aggregate outstanding amounts at the end of the year RMB'000	Maximum outstanding during the year RMB'000	Amounts/ Aggregate amounts fallen due but not been paid RMB'000	Provisions/ Aggregate provisions for doubtful/ bad debts made RMB'000	Term	Interest rate
At 31 December 2015:									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	–	–	Unsecured, interest-free and repayable on demand	nil
Fuzhou Powerlong Amusement Management Company Limited	Ultimately controlled by Mr. Hoi	–	42	–	42	–	–	Unsecured, interest-free and repayable on demand	nil
Total		21,376	21,418	21,376	21,418				
At 31 December 2014:									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	–	–	Unsecured, interest-free and repayable on demand	nil
Fuzhou Powerlong Amusement Management Company Limited	Ultimately controlled by Mr. Hoi	42	174	42	174	–	–	Unsecured, interest-free and repayable on demand	nil
Qingdao Powerlong Amusement Management Company Limited	Ultimately controlled by Mr. Hoi	–	37,215	–	37,215	–	–	Unsecured, interest-free and repayable on demand	nil
Zhengzhou Cannes Outlets Commercial Company Limited	Ultimately controlled by Mr. Hoi	–	16,208	–	16,208	–	–	Unsecured, interest-free and repayable on demand	nil
Macau Powerlong Group	Ultimately controlled by Mr. Hoi	–	15	–	15	–	–	Unsecured, interest-free and repayable on demand	nil
Total		21,418	74,988	21,418	74,988				

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

40 EVENTS AFTER THE BALANCE SHEET DATE

No material events occurred after the balance sheet date.

Five-year Financial Summary

CONSOLIDATED BALANCE SHEET

	31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**34,403,062**	29,006,267	23,217,836	21,719,854	18,384,052
Current assets	**32,259,152**	28,147,460	25,285,081	18,487,751	15,620,340
Total assets	**66,662,214**	57,153,727	48,502,917	40,207,605	34,004,392
EQUITY AND LIABILITIES					
Total equity	**22,758,529**	20,609,482	17,646,133	16,499,440	14,405,330
Liabilities					
Non-current liabilities	**20,491,772**	17,689,834	15,042,323	10,741,739	9,340,184
Current liabilities	**23,411,913**	18,854,411	15,814,461	12,966,426	10,258,878
Total liabilities	**43,903,685**	36,544,245	30,856,784	23,708,165	19,599,062
Total equity and liabilities	**66,662,214**	57,153,727	48,502,917	40,207,605	34,004,392

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	11,907,300	9,662,995	7,256,938	5,871,763	5,254,027
Cost of sales	(7,985,447)	(6,880,023)	(5,201,756)	(3,540,058)	(2,951,046)
Gross profit	3,921,853	2,782,972	2,055,182	2,331,705	2,302,981
Fair value gains on investment properties – net	1,503,628	599,325	530,672	1,743,684	3,559,072
Selling and marketing costs	(486,118)	(395,666)	(240,509)	(208,258)	(207,902)
Administrative expenses	(735,212)	(676,140)	(583,970)	(505,331)	(503,620)
Other (losses)/gains – net	(140,586)	(124,963)	95,370	(56,440)	60,242
Exchange gains/(losses) – net	(9,178)	4,721	(22,543)	248	(10,454)
Operating profit	4,054,387	2,190,249	1,834,202	3,305,608	5,200,319
Finance (costs)/income – net	(364,189)	(30,606)	121,023	(29,389)	86,562
Share of profit/(loss) of investments accounted for using the equity method	157,659	(709)	108,365	134,079	–
Profit before income tax	3,847,857	2,158,934	2,063,590	3,410,298	5,286,881
Income tax expenses	(1,512,768)	(651,340)	(663,414)	(1,197,312)	(1,736,424)
Profit for the year	2,335,089	1,507,594	1,400,176	2,212,986	3,550,457
Other comprehensive income					
Revaluation gains on property and equipment and land use rights transferred to investment properties	–	149,379	–	83,129	–
Change in value of available-for-sale financial assets	8,549	(259)	344	132	–
Other comprehensive income for the year, net of tax	8,549	149,120	344	83,261	–
Total comprehensive income for the year	2,343,638	1,656,714	1,400,520	2,296,247	3,550,457
Profit/(loss) attributable to:					
Owners of the Company	2,071,110	1,370,828	1,403,536	2,193,852	3,415,230
Holders of Perpetual Capital Instruments	153,100	36,750	–	–	–
Non-controlling interests	110,879	100,016	(3,360)	19,134	135,227
	2,335,089	1,507,594	1,400,176	2,212,986	3,550,457
Total comprehensive income attributable to:					
Owners of the Company	2,079,659	1,519,948	1,403,880	2,272,133	3,415,230
Holders of Perpetual Capital Instruments	153,100	36,750	–	–	–
Non-controlling interests	110,879	100,016	(3,360)	24,114	135,227
	2,343,638	1,656,714	1,400,520	2,296,247	3,550,457
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB cents per share)					
– Basic	52.41	34.56	35.00	54.71	84.73
– Diluted	52.32	34.54	34.98	54.71	84.73

	Year ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Dividends	301,397	252,278	–	320,773	243,065

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

ANNUAL
REPORT
POWERLONG 2015