POWERLONG
宝龙

# POWERLONG REAL ESTATE HOLDINGS LIMITED
# 寶龍地產控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1238)**

## 2014 ANNUAL RESULTS ANNOUNCEMENT

### SUMMARY OF RESULTS

- For the year ended 31 December 2014, contracted sales amounted to approximately RMB10,648 million, representing an increase of approximately 13.6% as compared with the corresponding period in 2013.

- For the year ended 31 December 2014, revenue amounted to approximately RMB9,663 million, representing an increase of approximately 33.1% as compared with the corresponding period in 2013.

- For the year ended 31 December 2014, rental income and income from property management services amounted to approximately RMB912 million, representing an increase of approximately 30.1% as compared with the corresponding period in 2013.

- For the year ended 31 December 2014, core earnings (being the profit for the year after excluding the profit attributable to fair value gains on investment properties) was approximately RMB1,058 million, representing a slight increase of approximately 5.6% as compared with the corresponding period in 2013.

- As at 18 September 2014, RMB1,500 million senior notes due 2017 were issued by the Company, the nominal interest rate was 10.75% per annum.

- As at 31 December 2014, cash and cash equivalents and restricted cash increased approximately by 2.8% to RMB4,949 million as compared to the year end of 2013. Cash and cash equivalents and restricted cash over current borrowings rose from 1.1 to 1.2 since the end of last year.

- The Board recommends the payment of a final dividend of HK$8.0 cents per ordinary share for the year ended 31 December 2014.

The board (the "Board") of directors (the "Directors") of Powerlong Real Estate Holdings Limited (the "Company") is pleased to announce its annual consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014, together with comparative figures for the year ended 31 December 2013, which is set out below.

## CONSOLIDATED BALANCE SHEET

| | | 31 December | |
|---|---|---|---|
| | | **2014** | 2013 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | | **1,898,666** | 1,694,201 |
| Land use rights | | **797,138** | 569,862 |
| Investment properties | *3* | **24,381,596** | 19,590,330 |
| Investments accounted for using the equity method | | **1,548,554** | 1,148,972 |
| Deferred income tax assets | | **380,313** | 203,065 |
| Derivative financial instruments | | **–** | 11,406 |
| | | **29,006,267** | 23,217,836 |
| **Current assets** | | | |
| Properties under development | | **13,668,618** | 11,371,010 |
| Completed properties held for sale | | **6,162,421** | 3,521,049 |
| Trade and other receivables | *4* | **2,196,727** | 1,989,387 |
| Prepayments | | **852,374** | 3,304,061 |
| Prepaid taxes | | **300,334** | 241,216 |
| Available-for-sale financial assets | | **16,042** | 30,801 |
| Financial assets at fair value through profit or loss | | **1,500** | 14,600 |
| Restricted cash | | **603,687** | 378,508 |
| Cash and cash equivalents | | **4,345,757** | 4,434,449 |
| | | **28,147,460** | 25,285,081 |
| **Total assets** | | **57,153,727** | 48,502,917 |

| | Note | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital and premium | | **2,979,696** | 3,035,471 |
| Other reserves | | **664,827** | 512,464 |
| Retained earnings | | **14,965,316** | 13,589,210 |
| | | **18,609,839** | 17,137,145 |
| **Perpetual Capital Instruments** | | **1,302,139** | – |
| **Non-controlling interests** | | **697,504** | 508,988 |
| **Total equity** | | **20,609,482** | 17,646,133 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | *5* | **14,294,043** | 11,854,736 |
| Deferred income tax liabilities | | **3,314,613** | 3,187,587 |
| Derivative financial instruments | | **81,178** | – |
| | | **17,689,834** | 15,042,323 |
| **Current liabilities** | | | |
| Trade and other payables | *6* | **7,727,082** | 4,869,464 |
| Advances from customers | | **4,641,997** | 4,186,307 |
| Current income tax liabilities | | **2,194,391** | 2,183,267 |
| Borrowings | *5* | **4,290,941** | 4,575,423 |
| | | **18,854,411** | 15,814,461 |
| **Total liabilities** | | **36,544,245** | 30,856,784 |
| **Total equity and liabilities** | | **57,153,727** | 48,502,917 |
| **Net current assets** | | **9,293,049** | 9,470,620 |
| **Total assets less current liabilities** | | **38,299,316** | 32,688,456 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | **Year ended 31 December** | |
|---|---|---|---|
| | | **2014** | 2013 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| Revenue | *2* | **9,662,995** | 7,256,938 |
| Cost of sales | *7* | **(6,880,023)** | (5,201,756) |
| **Gross profit** | | **2,782,972** | 2,055,182 |
| Fair value gains on investment properties – net | *3* | **599,325** | 530,672 |
| Selling and marketing costs | *7* | **(395,666)** | (240,509) |
| Administrative expenses | *7* | **(676,140)** | (583,970) |
| Other (losses)/gains – net | *8* | **(124,963)** | 95,370 |
| Exchange gains/(losses) – net | | **4,721** | (22,543) |
| **Operating profit** | | **2,190,249** | 1,834,202 |
| Finance (costs)/income – net | *9* | **(30,606)** | 121,023 |
| Share of (loss)/profit of investments accounted for using the equity method | | **(709)** | 108,365 |
| **Profit before income tax** | | **2,158,934** | 2,063,590 |
| Income tax expense | *10* | **(651,340)** | (663,414) |
| **Profit for the year** | | **1,507,594** | 1,400,176 |
| **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 | | **149,379** | – |
| Items that may be reclassified to profit or loss: | | | |
| Change in value of available-for-sale financial assets, net of tax | | **(259)** | 344 |
| **Total other comprehensive income for the year, net of tax** | | **149,120** | 344 |
| **Total comprehensive income for the year** | | **1,656,714** | 1,400,520 |

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2014** | 2013 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Profit/(loss) attributable to:** | | | |
| Owners of the Company | | **1,370,828** | 1,403,536 |
| Holders of Perpetual Capital Instruments | | **36,750** | – |
| Non-controlling interests | | **100,016** | (3,360) |
| | | **1,507,594** | 1,400,176 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **1,519,948** | 1,403,880 |
| Holders of Perpetual Capital Instruments | | **36,750** | – |
| Non-controlling interests | | **100,016** | (3,360) |
| | | **1,656,714** | 1,400,520 |
| **Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB cents per share)** | *11* | | |
| – Basic | | **34.56** | 35.00 |
| – Diluted | | **34.54** | 34.98 |

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2014** | 2013 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| Dividends | *12* | **252,278** | – |

## NOTES:

### 1 BASIS OF PREPARATION

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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.

**(a) Amended standards adopted by the Group**

| | |
|---|---|
| Amendment to HKAS 32 | Financial instruments: Presentation – Offsetting financial assets and financial liabilities |
| Amendment to HKFRS 10, 12 and 27 | Consolidation for investment entities |
| Amendment to HKAS 36 | Impairment of assets on recoverable amount disclosures |

**(b) New and amended standards not relevant to the Group**

| | |
|---|---|
| Amendment to HKFRS 39 | Financial instruments: Recognition and Measurement-Novation of derivatives and the continuation of hedge accounting |
| HK(IFRIC) – Int 21 | Levies |

**(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 2014 and have not been early adopted by the Group:

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| Amendment to HKAS 19 (revised 2011) | Defined Benefit Plans: Employee Contributions | 1 July 2014 |
| Annual improvements 2012 | 2010-2012 cycle | 1 July 2014 |
| Annual improvements 2013 | 2011-2013 cycle | 1 July 2014 |
| 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 |
| Amendment to HKAS 10 and 28 | Sale or contribution of assets between an investor and its associate or joint venture | 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 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2017 |
| HKFRS 9 | Financial instruments | 1 January 2018 |

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.

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

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

## 2 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 People's Republic of China (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** | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Sales of properties | **8,265,185** | 6,243,864 |
| Rental income of investment properties | **444,772** | 349,217 |
| Income of property management services | **467,502** | 351,903 |
| Income of other property development related services | **485,536** | 311,954 |
| | **9,662,995** | 7,256,938 |

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 | | | | | | **(709)** |
| Unallocated operating costs | | | | | | **(285,610)** |
| Finance cost – net | | | | | | **(30,606)** |
| Profit before income tax | | | | | | **2,158,934** |
| Income tax expense | | | | | | **(651,340)** |
| Profit for the year | | | | | | **1,507,594** |
| Depreciation | **18,901** | **–** | **5,118** | **108,646** | **–** | **132,665** |
| Amortisation of land use rights recognised as expenses | **–** | **–** | **–** | **15,846** | **–** | **15,846** |
| Fair value gains on investment properties – net *(Note 3)* | **–** | **599,325** | **–** | **–** | **–** | **599,325** |

The segment results and other segment items included in the profit for the year ended 31 December 2013 are as follows:

| | Property development *RMB'000* | Property investment *RMB'000* | Property management services *RMB'000* | Other property development related services *RMB'000* | Elimination *RMB'000* | Group *RMB'000* |
|---|---|---|---|---|---|---|
| Gross segment revenue | 6,243,864 | 349,217 | 392,963 | 311,954 | – | 7,297,998 |
| Inter-segment revenue | – | – | (41,060) | – | – | (41,060) |
| Revenue | 6,243,864 | 349,217 | 351,903 | 311,954 | – | 7,256,938 |
| Segment results | 1,275,590 | 716,817 | 1,313 | (60,644) | (2,633) | 1,930,443 |
| Other gains – net | | | | | | 95,370 |
| Share of profit of investments accounted for using the equity method | | | | | | 108,365 |
| Unallocated operating costs | | | | | | (191,611) |
| Finance costs – net | | | | | | 121,023 |
| Profit before income tax | | | | | | 2,063,590 |
| Income tax expense | | | | | | (663,414) |
| Profit for the year | | | | | | 1,400,176 |
| Depreciation | 14,344 | – | 2,171 | 93,936 | – | 110,451 |
| Amortisation of land use rights recognised as expenses | – | – | – | 13,863 | – | 13,863 |
| Fair value gains on investment properties – net *(Note 3)* | – | 530,672 | – | – | – | 530,672 |

Segment assets, liabilities and interests in joint ventures and an associate 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** |
| Interests in joint ventures | **1,512,375** | **–** | **–** | **–** | **–** | **1,512,375** |
| Interests in an associate | **36,179** | **–** | **–** | **–** | **–** | **36,179** |

Segment assets, liabilities and interests in a joint venture as at 31 December 2013 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 | 26,338,637 | 20,587,250 | 398,482 | 2,990,797 | (2,881,188) | 47,433,978 |
| Other assets | | | | | | 1,068,939 |
| Total assets | | | | | | 48,502,917 |
| Segment liabilities | 7,815,385 | 389,283 | 366,803 | 2,092,924 | (2,881,188) | 7,783,207 |
| Other liabilities | | | | | | 23,073,577 |
| Total liabilities | | | | | | 30,856,784 |
| Capital expenditure | 25,539 | 983,888 | 52,982 | 191,395 | – | 1,253,804 |
| Interests in joint ventures | 1,112,150 | – | – | – | – | 1,112,150 |
| Interests in an associate | 36,822 | – | – | – | – | 36,822 |

Segment assets are reconciled to total assets as follows:

| | 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Segment assets | **55,479,733** | 47,433,978 |
| Other assets | | |
| – Prepaid taxes | **300,334** | 241,216 |
| – Deferred income tax assets | **380,313** | 203,065 |
| – Unallocated cash and cash equivalents and restricted cash | **550,108** | 570,208 |
| – Other receivables from related parties | **298,936** | 23,347 |
| – Unallocated property and equipment | **81,221** | 8,049 |
| – Other corporate assets | **63,082** | 23,054 |
| Total assets | **57,153,727** | 48,502,917 |

Segment liabilities are reconciled to total liabilities as follows:

| | 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Segment liabilities | **9,539,091** | 7,783,207 |
| Other liabilities | | |
| – Current income tax liabilities | **2,194,391** | 2,183,267 |
| – Deferred income tax liabilities | **3,314,613** | 3,187,587 |
| – Current borrowings | **4,290,941** | 4,575,423 |
| – Non-current borrowings | **14,294,043** | 11,854,736 |
| – Other payables to related parties | **2,667,462** | 1,167,351 |
| – Other corporate liabilities | **243,704** | 105,213 |
| Total liabilities | **36,544,245** | 30,856,784 |

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

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

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

Segment liabilities consist of operating liabilities.

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

## 3 INVESTMENT PROPERTIES

| | Completed investment properties *RMB'000* | Investment properties under construction *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **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 gains – net | **(162,254)** | **761,579** | **599,325** |
| Transfers from property and equipment and land use rights | **689,765** | **–** | **689,765** |
| Disposals | **(24,563)** | **–** | **(24,563)** |
| At 31 December 2014 | **19,138,427** | **5,243,169** | **24,381,596** |
| 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** |
| **Year ended 31 December 2013** | | | |
| At 1 January 2013 | 16,196,318 | 1,951,526 | 18,147,844 |
| Additions | 191,960 | 791,928 | 983,888 |
| Transfers | 1,607,930 | (1,607,930) | – |
| Fair value gains – net | 509,566 | 21,106 | 530,672 |
| Disposals | (72,074) | – | (72,074) |
| At 31 December 2013 | 18,433,700 | 1,156,630 | 19,590,330 |
| Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year | 505,558 | 21,106 | 526,664 |

## 4 TRADE AND OTHER RECEIVABLES

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Trade receivables | **1,214,071** | 1,113,914 |
| – Related parties | **38,395** | 53,116 |
| – Third parties | **1,175,676** | 1,060,798 |
| Less: provision for impairment of trade receivables | **(26,558)** | (11,735) |
| Trade receivables – net | **1,187,513** | 1,102,179 |
| Deposits for acquisition of land use rights | **41,600** | 376,518 |
| Other receivables from: | **967,614** | 510,690 |
| – Related parties | **298,936** | 23,347 |
| – Third parties | **668,678** | 487,343 |
| | **2,196,727** | 1,989,387 |

**(a)** Trade receivables are mainly derived from sales of properties and rental income. Sales proceeds and rental fee are paid in accordance with the terms of the related sales and purchase agreements and rental contracts. As at 31 December 2014 and 2013, the ageing analysis of trade receivables of the Group based on billing date were as follows:

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Not due | **347,694** | 342,009 |
| Within 90 days | **533,945** | 377,421 |
| Over 90 days | **332,432** | 394,484 |
| | **1,214,071** | 1,113,914 |

As at 31 December 2014, trade receivables of RMB37,741,000 (2013: RMB70,823,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty. The overdue amounts can be recovered as the Group is entitled to take over legal title and possession of underlying properties for re-sales.

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Over 90 days | **37,741** | 70,823 |

As of 31 December 2014, trade receivables of RMB37,553,000 were impaired (2013: RMB15,531,000) and provision of RMB26,558,000 were provided (2013: RMB11,735,000). 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 | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| At 1 January | **11,735** | 19,192 |
| Provision for receivables impairment | **15,958** | 2,694 |
| Receivables written off during the year as uncollectible | **(1,135)** | (10,151) |
| At 31 December | **26,558** | 11,735 |

**(b)** As at 31 December 2014 and 2013, the fair value of trade and other receivables approximated their carrying amounts.

**(c)** Trade and other receivables are interest free. The Group's trade and other receivables are denominated in RMB. Except for those disclosed in Note 4(a), no material trade and other receivables were impaired or past due as at 31 December 2014 and 2013.

**(d)** The maximum exposure to credit risk at the reporting date was the carrying value of each class of receivables after deducting any impairment allowance and guarantees provided to third parties.

## 5 BORROWINGS

| | 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Borrowings included in non-current liabilities: | | |
| Senior notes | **3,871,221** | 5,188,866 |
| – senior notes due September 2017 | **1,514,307** | – |
| – senior notes due January 2018 | **1,558,977** | 1,561,245 |
| – senior notes due May 2016 | **797,937** | 797,644 |
| – senior notes due September 2015 | **–** | 1,242,366 |
| – senior notes due March 2014 | **–** | 773,200 |
| – senior notes due September 2014 | **–** | 814,411 |
| Bank borrowings – secured | **9,904,974** | 9,511,021 |
| Other borrowings – secured | **2,245,880** | 455,000 |
| Borrowings under sale and lease back agreement – secured | **36,569** | 105,678 |
| Less: amounts due within one year | **(1,764,601)** | (3,405,829) |
| | **14,294,043** | 11,854,736 |
| Borrowings included in current liabilities: | | |
| Bank borrowings | **2,267,443** | 1,094,221 |
| – secured | **2,194,093** | 1,043,721 |
| – unsecured | **73,350** | 50,500 |
| Other borrowings – secured | **258,897** | 75,373 |
| Current portion of long-term borrowings | **1,764,601** | 3,405,829 |
| | **4,290,941** | 4,575,423 |
| Total borrowings | **18,584,984** | 16,430,159 |

## 6 TRADE AND OTHER PAYABLES

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Trade payables | **3,226,856** | 2,100,340 |
| – Related parties | **19,471** | 18,969 |
| – Third parties | **2,801,559** | 1,874,378 |
| – Notes payable – third parties | **405,826** | 206,993 |
| Other payables and accruals | **3,890,929** | 2,342,782 |
| – Related parties | **2,667,462** | 1,167,351 |
| – Third parties | **1,223,467** | 1,175,431 |
| Payables for retention fee | **290,554** | 208,928 |
| Payables for acquisition of land use rights | **127,385** | 53,834 |
| Other taxes payables | **191,358** | 163,580 |
| | **7,727,082** | 4,869,464 |

As at 31 December 2014 and 2013, the ageing analysis of trade payables of the Group based on invoice date were as follows:

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Within 90 days | **1,276,894** | 343,266 |
| Over 90 days and within 180 days | **869,601** | 160,408 |
| Over 180 days and within 365 days | **272,872** | 968,207 |
| Over 365 days and within 3 years | **807,489** | 628,459 |
| | **3,226,856** | 2,100,340 |

## 7 EXPENSES BY NATURE

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

| | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Cost of properties sold (excluding staff costs) | **5,565,321** | 4,200,275 |
| Staff costs (including directors' emoluments) | **638,680** | 472,040 |
| Business taxes and other levies | **576,474** | 427,800 |
| Advertising costs | **272,958** | 167,183 |
| Cost of hotel operations (excluding staff costs) | **170,989** | 149,585 |
| Depreciation | **132,665** | 110,451 |
| Cost of property management service (excluding staff costs) | **99,955** | 75,592 |
| Office lease payments | **16,131** | 12,248 |
| Amortisation of land use rights | **15,846** | 13,863 |
| Donations to governmental charity | **10,641** | 10,709 |
| Auditor's remuneration | **4,280** | 4,280 |

## 8 OTHER LOSSES/(GAINS) – NET

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Gain on disposal of investment properties | **(10,914)** | (54,878) |
| Investment income from financial instruments | **(6,469)** | (7,384) |
| Fair value (losses)/gains on derivative financial instruments | **92,584** | (11,406) |
| Early redemption cost of 2015 Notes | **49,762** | – |
| Interest income on entrusted loans | **–** | (21,702) |
| | **124,963** | (95,370) |

## 9 FINANCE COSTS/(INCOME) – NET

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Interest expenses: | | |
| – Bank borrowings, other borrowings and borrowings under sale and lease back agreement | **1,053,566** | 768,625 |
| – Senior notes | **570,569** | 627,626 |
| Less: interest capitalised | **(1,597,915)** | (1,361,369) |
| | **26,220** | 34,882 |
| Foreign exchange losses/(gains) on financing activities – net | **4,386** | (155,905) |
| | **30,606** | (121,023) |

## 10 INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Current income tax: | | |
| – PRC corporate income tax | **643,865** | 343,281 |
| – PRC land appreciation tax | **90,490** | 192,891 |
| – Provision of/(reversal of) withholding income tax for profits to be distributed from the group companies in the PRC | **17,000** | (14,411) |
| Deferred income tax: | | |
| – PRC corporate income tax | **(100,015)** | 141,653 |
| | **651,340** | 663,414 |

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 | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Profit before income tax | **2,158,934** | 2,063,590 |
| Calculated at applicable corporate income tax rate | **524,937** | 506,524 |
| Effect of expenses not deductible for income tax | **18,801** | 12,264 |
| Effect of income not subject to income tax | **(8,295)** | (4,469) |
| Share of loss/(profit) of investments accounted for using the equity method | **177** | (27,091) |
| Tax losses for which no deferred income tax asset was recognised | **30,853** | 45,929 |
| PRC land appreciation tax deductible for PRC corporate income tax purposes | **(22,623)** | (48,223) |
| | **543,850** | 484,934 |
| Provision of/(reversal of) withholding income tax for profits to be distributed by certain group companies in the PRC | **17,000** | (14,411) |
| PRC land appreciation tax | **90,490** | 192,891 |
| | **651,340** | 663,414 |

**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.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), which is effective from 1 January 2008. Under the CIT Law, 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.

**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.

## 11 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.

| | **Year ended 31 December** | |
|---|---|---|
| | **2014** | 2013 |
| Profit attributable to owners of the Company (RMB'000) | **1,370,828** | 1,403,536 |
| Weighted average number of ordinary shares in issue (thousand shares) | **3,966,152** | 4,009,660 |
| Basic earnings per share (RMB cents per share) | **34.56** | 35.00 |

### (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.

| | **Year ended 31 December** | |
|---|---|---|
| | **2014** | 2013 |
| Profit attributable to owners of the Company (RMB'000) | **1,370,828** | 1,403,536 |
| Weighted average number of ordinary shares for diluted earnings per share (thousand shares) | **3,968,511** | 4,012,102 |
| – Weighted average number of ordinary shares for basic earnings per share (thousand shares) | **3,966,152** | 4,009,660 |
| – Adjustment for share options and awarded shares (thousand shares) | **2,359** | 2,442 |
| Diluted earnings per share (RMB cents per share) | **34.54** | 34.98 |

## 12 DIVIDENDS

The Board recommended the payment of a final dividend of HK$8.0 cents (equivalent to RMB6.3 cents) per ordinary share. The totalling amount of HK$319,784,000 (equivalent to RMB252,278,000) is based on the ordinary shares in issue as of 31 December 2014. Such dividend is subject to approval by the shareholders at the Annual General Meeting on 9 June 2015. These consolidated financial statements do not reflect this dividend payable. No final dividend in respect of the year ended 31 December 2013 was proposed by the Board.

| | **Year ended 31 December** | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Proposed final dividends | **252,278** | – |

## MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

In 2014, Chinese economy continued to develop steadily. It shifted from high-speed growth to medium to high-speed growth and maintained steady growth throughout the year. Economic development has shifted from extensive growth to intensive growth of quality and efficiency, while the economic structure gradually adjusted and improved from the "expansion of quantity" to the "enhancement of quality". The real estate market experienced a relatively substantial downward adjustment in the first half of the year. In the second half of the year, Central and local governments adopted the market-oriented approach in order to release effective demand. Various major real estate enterprises proactively seized the timing to reduce inventories by sales promotion. However, the market had an overall slower growth throughout the year under review, which in turn resulted in a more intensive competition within the industry. With the real estate market gradually returned to its own development mechanism and under the "new norm" of "decrease in quantity with enhancement in quality", the real estate market has entered into a new stage of development with upcoming new challenges and opportunities.

## BUSINESS REVIEW

For the year ended 31 December 2014, 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 major revenue stream of the Group.

The Group consistently adhered to the long-term operation principle of "Sound Operations, Strive for Excellence" in order to accurately grasp market trend in a complicated and dynamic market environment. With the combination of the year's operating strategy of "Reducing Inventories, Enhancing Efficiency, Becoming Benchmark", the Group effectively promoted steady growth in its results and recorded satisfactory results for the year under review.

### Property Development

For the year ended 31 December 2014, the contracted sales of the Group reached approximately RMB10,648 million (2013: RMB9,373 million), representing an increase of approximately 13.6% as compared with the corresponding period in 2013. In 2014, the contracted sales area of the Group amounted to approximately 1,208,555 square meters (2013: 988,384 square meters), representing a year-on-year increase of approximately 22.3% over 2013.

Leveraging on its experienced management team, the Group was able to identify the market trend and thereby adjusted its sales strategy flexibly so as to actively address and respond to market downturn. The diversified and innovative marketing modes allowed the Group to realize the contracted sales of over RMB10,000 million. During the year under review, the key contributing projects were located in Luoyang, Shanghai, Hangzhou, Tianjin, Jiaozhou and Xinxiang etc..

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

| | FY 2014 | | |
|---|---|---|---|
| **Distribution** | **Sales area** | **Sales amount** | **Average selling price** |
| | *sq.m.* | *RMB'000* | *RMB/sq.m.* |
| Commercial | 455,499 | 5,660,606 | 12,427 |
| Residential | 753,056 | 4,987,737 | 6,623 |
| Total | 1,208,555 | 10,648,343 | 8,811 |

During the year under review, the Group has improved the process of positioning, formulated standards for reviewing construction drawings and optimized standard properties. Product functions were designed to enhance customers' experience while auxiliary facilities were also emphasized. Product quality was improved through cooperation with the world's leading design enterprises.

Benefiting from the optimization of the Group's quality inspection and accountability system, product quality continued to improve. The three-points-one-line demonstration area of the three benchmark projects, namely, Shanghai Qibao Powerlong City Plaza, Hangzhou Binjiang Powerlong City Plaza and Xiamen Powerlong One Mall, the external elevations and views of the Tianjin Binhai Project and the open block of the Shandong Penglai Project were well-received and influential at local markets.

Meanwhile, the Group has improved and flattened regional management organization structure, which promoted the integration of resources of regional companies. The actual benefits were further emphasized and attention was also paid to the enhancement of per capita efficiency.

**Investment Properties and Property Management Services**

To generate a stable and recurring income, the Group also retained and operated certain commercial properties, mainly shopping malls, for leasing. As at 31 December 2014, the Group had an aggregate GFA of approximately 2,832,095 square meters (2013: 1,790,566 square meters) held as investment properties (including investment properties completed and under construction), representing an increase of approximately 58.2% as compared with 2013.

As at the date of this announcement, the three property projects, namely, Hangzhou Xiasha Powerlong City Plaza, Tianjin Yujiapu Powerlong International Center and Chongqing Hechuan Powerlong City Plaza, which are operated by the Group, successfully commenced operation successively. Among which, customer flow volume of Hangzhou Xiasha Powerlong City Plaza exceeded 150,000 on its opening date, while Chongqing Hechuan Powerlong City Plaza achieved an occupancy rate of 97% and a customer flow volume of over 180,000 on its opening date and recorded a customer flow volume of 500,000 within three days since its opening.

During the year under review, the Group has adopted the below measures to strengthen its core competitive edge in terms of business operation and property management:

1. Plan management and standardization has been vigorously promoted and control system has been improved so as to finish the preliminary creation of the operating system and deploy the cashier register data system and the membership system, with an aim of achieving an integrated, centralized and real-time data management by linking data with O2O.

2. The consolidation of asset management has been accelerated. Since the introduction of the concept of asset management in 2013, the Group has been implementing an overall management to its business operation. As of the date of this announcement, the scope of management has already extended to all projects in operation and under construction, in order to achieve the operating objectives of increasing its asset values and adjust the formats of projects in operation as well as plan the future leasing of projects under construction.

3. The e-commerce platform has been upgraded and expanded. The Group launched the 2.0 version of "Powerlong Plazas Online" in 2014. It was strategically expanded to five city plazas in Fuzhou, Jinjiang, Shanghai Caolu, Henan Xinxiang and Henan Luoyang and formed a strategic layout which integrates online and physical malls. It is supported by regional delivery services and payment facilities. It has accumulated over 1.5 million active users within the year while the average number of monthly active WIFI users increased by approximately 30%.

**Hotel Development**

The Group continued to develop its hotel business as its long-term recurring income stream. As of 31 December 2014, the Group operated three star-rated hotels and three mid-end hotels, namely, Four Points by Sheraton Qingdao, Four Points by Sheraton Tai'an, Four Points by Sheraton Taicang, Aloft Haiyang, Days Inn Powerlong Qingdao and Aloft Yancheng.

**Land Bank Replenishment**

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

As at 31 December 2014, the Group had a quality land bank amounting to a total GFA of approximately 13.3 million square meters, of which approximately 7.2 million square meters were properties under development and construction, approximately 4.3 million square meters were properties held for future development and approximately 1.8 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 2014:

| Name of project | Usage | Site area | Total GFA* | Land premium |
|---|---|---|---|---|
| | | *'000 sq.m.* | *'000 sq.m.* | *RMB million* |
| Shanghai QingPu Powerlong City Plaza | Commercial | 64 | 347 | 804 |
| Shanghai Lingang Powerlong City Plaza | Commercial | 32 | 88 | 170 |
| Shanghai Baoshan Powerlong City Plaza | Commercial | 14 | 36 | 124 |
| Jiangsu Yangzhou Powerlong City Plaza** | Commercial, Residential | 61 | 235 | 292 |
| Shandong Dongying Powerlong City Plaza | Commercial, Residential | 139 | 522 | 328 |
| Fujian Quanzhou Yongchun Powerlong City Plaza | Commercial, Residential | 125 | 398 | 276 |
| Anhui Fuyang Powerlong City Plaza** | Commercial, Residential | 170 | 751 | 601 |
| Shandong Laishan Powerlong City Plaza | Commercial, Residential | 34 | 172 | 133 |
| Total | | 639 | 2,549 | 2,728 |

* Total GFA includes underground car parking spaces

** These projects are accounted as joint ventures

**Outlook**

It is expected that the policy environment of the real estate market will be relatively relaxed in 2015. Although the market will undergo some long-term adjustment under the new norm, the Central government will continue to focus on maintaining a stable real estate market. Ongoing urbanization, unabated demand of consumers for improving housing quality and experiential commerce will remain the driving force of the sustainable and steady development of the real estate industry. Therefore, the Group has established the operating principle of "Reducing Inventories, Enhancing Efficiency, Becoming Benchmark, Creating Breakthroughs" in 2015 and by strengthening sales, continued to maintain its two-wheel-drive strategy to raise turnover and improve asset values in order to increase the liquidity of assets. The Group will continuously enhance commercial operating efficiency, further enhance the integrated operation capability of the Group and continuously strengthen its core business competitive edge. Also, by realizing smooth operation of Shanghai Qibao Powerlong City Plaza in 2015, the Company will strive to maintain and promote its position in the industry so as to strive for the best and long-term return for its shareholders.

According to the development of the real estate market, reducing inventories will be the main focus in 2015. The Group is confident in completing the goal of a further increase of sales that targets at achieving RMB13,000 million of contracted sales in 2015, representing a year-on-year increase of 22.1%. The Group will continue to build an efficient, prudent and innovating marketing team. The Group will implement innovative marketing strategies which focus on the Group's objective of commercial and office business. The Group is planning to establish a VIP department which focuses on promoting sales model involving VIPs, and set up a customer service center to improve customer tracking and customer care in order to build a comprehensive customer system. By continuing the enhancement of experimental marketing and introducing Internet and financial instruments, the Group will proactively expand cooperation opportunities with new media. Also, it will maintain its competitive edge through effective cost control.

2015 will be a milestone year for the Group's commercial operation. The Group will ensure smooth operation of Shanghai Qibao Powerlong City Plaza as it will be its core competitiveness of operating in first-tier cities. In addition to being a solid foundation for future benchmark projects, it is also a benchmark event which indicates the success of adopting the overall development strategy by relocating our headquarter from Xiamen to Shanghai in 2010. This will significantly promote the brand image. Meanwhile, the Group will systematically commence various projects with higher efficiency and ensure six shopping malls to commence operation smoothly during the year. Regarding its commercial operation, the Group will leverage its scale and competitive edge in commercial operation, and on the basis of further enhancement of standardization and systematization, it will complete the integration of three systems including operation, leasing processes and membership and the building of a comprehensive commercial management system in order to strengthen the commercial core competitiveness of the Group. In order to make e-commerce as one of the core business competitive edges of the Group and create a broader room for the future development of its business operation, the Group had developed market-oriented platform products without limitation to its own business operation concepts based on the experience of establishing the e-commerce operating platform independently in the previous two years.

## 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 2014, the Group recorded a total revenue of RMB9,663 million (2013: RMB7,257 million), representing an increase of approximately 33.1% when compared to 2013. 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 2014 amounted to approximately RMB8,265 million (2013: RMB6,244 million), representing an increase of approximately 32.4% when compared with the corresponding period in 2013. 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:

| | | | **FY 2014** | |
|---|---|---|---|---|
| | | **GFA sold & delivered** *sq.m.* | **Amount delivered** *RMB'000* | **Average selling price** *RMB/sq.m.* |
| Suzhou Taicang Powerlong City Plaza | Commercial | 948 | 6,615 | 6,975 |
| Bengbu Powerlong | Commercial | 190 | 2,480 | 13,052 |
| City Plaza | Residential | 365 | 1,221 | 3,346 |
| Luoyang Powerlong | Commercial | 15,619 | 267,668 | 17,137 |
| City Plaza | Residential | 109 | 356 | 3,273 |
| Wuxi Yuqi Powerlong | Commercial | 221 | 544 | 2,465 |
| Riverside Garden | Residential | 1,028 | 4,355 | 4,237 |
| Suqian Powerlong City Plaza | Commercial | 308 | 2,231 | 7,244 |
| Qingdao Licang Powerlong City Plaza | Commercial | 346 | 3,567 | 10,309 |
| Xinxiang Powerlong | Commercial | 68,439 | 353,143 | 5,160 |
| City Plaza | Residential | 1,506 | 5,306 | 3,523 |
| Changzhou Powerlong | Commercial | 16,251 | 121,281 | 7,463 |
| City Plaza | Residential | 220 | 1,321 | 5,995 |
| Qingdao Jimo Powerlong | Commercial | 81,042 | 610,873 | 7,538 |
| City Plaza | Residential | 16,049 | 79,403 | 4,948 |
| Quanzhou Anxi Powerlong | Commercial | 45 | 356 | 7,984 |
| City Plaza | Residential | 4,542 | 12,959 | 2,853 |
| Chongqing Hechuan | Commercial | 18,921 | 174,093 | 9,201 |
| Powerlong City Plaza | Residential | 62,365 | 285,547 | 4,579 |
| Xiamen Powerlong | Commercial | 8,196 | 146,970 | 17,932 |
| Lakeside Mansions | Residential | 33,337 | 1,024,090 | 30,719 |
| Jinjiang Powerlong | Commercial | 29,480 | 168,035 | 5,700 |
| City Plaza | Residential | 81,949 | 629,082 | 7,677 |
| Hangzhou Powerlong | Commercial | 48,976 | 942,157 | 19,237 |
| City Plaza | Residential | 32,640 | 469,016 | 14,369 |
| Shanghai Caolu Powerlong City Plaza | Commercial | 26,424 | 548,977 | 20,776 |

| | | FY 2014 | | |
|---|---|---|---|---|
| | | **GFA sold & delivered** | **Amount delivered** | **Average selling price** |
| | | *sq.m.* | *RMB'000* | *RMB/sq.m.* |
| Shanghai Hongqiao Powerlong City | Residential | 105,285 | 1,624,164 | 15,426 |
| Zhenjiang Powerlong City Plaza | Commercial | 2,951 | 42,126 | 14,274 |
| Penglai Powerlong Marine Immortal Street | Commercial | 16,425 | 175,356 | 10,676 |
| Zhangzhou Yunxiao | Commercial | 55 | 1,186 | 21,500 |
| Powerlong Project | Residential | 33,137 | 168,236 | 5,077 |
| Qingdao Jiaozhou | Commercial | 12,219 | 193,346 | 15,823 |
| Powerlong City Plaza | Residential | 32,772 | 199,129 | 6,076 |
| Total | | 752,359 | 8,265,185 | 10,986 |
| | Commercial | 347,056 | 3,761,006 | 10,837 |
| | Residential | 405,303 | 4,504,179 | 11,113 |

*Rental Income from Investment Properties and Income from Property Management Services*

For the year ended 31 December 2014, the Group recorded rental income from investment properties of approximately RMB445 million (2013: RMB349 million), representing an increase of approximately 27.5% when compared to the amount in 2013.

For the year ended 31 December 2014, income from property management services generated by the Group from providing property management services, after intra-group elimination, amounted to approximately RMB468 million (2013: RMB352 million), representing an increase of approximately 33.0% as compared to the amount in 2013.

For the year ended 31 December 2014, rental income from investment properties and income from property management services fee amounted to RMB912 million (2013: RMB701 million), representing an increase of approximately 30.1% as compared to the amount in 2013. 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 increased as the continuous enhancement of quality in commercial operation, thereby 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 2014, the Group's other income amounted to RMB486 million (2013: RMB312 million), representing an increase of approximately 55.8% as compared to the amount in 2013. The reason was mainly due to the increase in income from hotel operation and income from ancillary services.

**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 2014 increased by approximately 32.2% to approximately RMB6,880 million (2013: RMB5,202 million) as compared with 2013, which mainly due to the increase of unit cost as the properties sold and delivered during the year were mainly located in the first- and second-tier cities.

**Gross Profit and Margin**

For the year ended 31 December 2014, gross profit increased to RMB2,783 million (2013: RMB2,055 million) as compared with 2013. Gross profit margin slightly increased from 28.3% in 2013 to 28.8% in 2014.

**Fair Value Gains of Investment Properties**

For the year ended 31 December 2014, the Group recorded revaluation gains of approximately RMB599 million (2013: RMB531 million), representing an increase of 12.8% over the amount in 2013. The revaluation gains were mainly due to the increase of properties under construction.

**Selling and Marketing Costs and Administrative Expenses**

Selling and marketing costs and administrative expenses for the year ended 31 December 2014 amounted to approximately RMB1,072 million (2013: RMB824 million), representing an increase of approximately 30.1% over 2013, which was mainly due to the Group's business expansion, which in turn caused the expansion in scale of sales and management projects. However, the Group will still continue to exercise stringent control over all expenses.

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

Share of post-tax loss of investments accounted for using the equity method amounted to RMB0.7 million (2013: profit amounted to RMB108 million), representing a decrease of approximately 100.6% as compared with 2013. The decrease was mainly due to an increase in preliminary expenses of the new joint ventures.

### Income Tax Expense

Income tax expense amounted to RMB651 million (2013: RMB663 million) for the year ended 31 December 2014, decreased by approximately 1.8% as compared with 2013, primarily due to the decrease of PRC land appreciation tax.

### Profit Attributable to Owners of the Company

For the year ended 31 December 2014, the Group recorded profit attributable to owners of the Company of approximately RMB1,371 million (2013: RMB1,404 million), representing a decrease of approximately 2.4% over 2013.

Basic earnings per share was RMB34.56 cents (2013: RMB35.00 cents), representing a decrease of approximately 1.3% over 2013. The decrease in the profit attributable to owners of the Company and basic earnings per share was mainly due to an increase in profit attributable to non-controlling shareholders during the year.

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 2014 reached approximately RMB1,058 million (2013: RMB1,002 million), representing an increase of approximately 5.6% as compared with the amount in 2013.

## 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 RMB4,949 million in total as at 31 December 2014 (2013: RMB4,813 million), representing an increase of approximately 2.8% as compared with the end of 2013. Cash and cash equivalents and restricted cash over current borrowings rose from 1.1 to 1.2 since 2013.

### Borrowings

Total borrowings of the Group as at 31 December 2014 was RMB18,585 million (2013: RMB16,430 million). It comprises bank and other borrowings and borrowings under finance lease agreement of approximately RMB14,714 million and senior notes of approximately RMB3,871 million.

Out of the total borrowings, RMB4,291 million was repayable within one year, while approximately RMB14,294 million was repayable after one year.

On 18 September 2014, the Company issued senior notes denominated in RMB at 99.375% discount in an aggregate amount of RMB1,500 million, with a nominal interest rate of 10.75% per annum and maturity date of 18 September 2017.

As at 31 December 2014, the Group had net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of 66.2% (31 December 2013: 65.8%).

Total interest expenses for the year ended 31 December 2014 amounted to RMB1,624 million, representing an increase of approximately 16.3% as compared to RMB1,396 million in 2013. The increase was mainly due to the increase of total borrowings. The effective interest rate decreased from 9.0% for 2013 to 8.05% for 2014, 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 2014, 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 RMB29,332 million (2013: RMB23,695 million) to secure borrowings of the Group. The total secured borrowings as at 31 December 2014 amounted to RMB14,640 million (2013: RMB11,191 million).

**Financial Guarantees**

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

| | **As at 31 December** | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties | **6,462,924** | 4,711,027 |
| Guarantees for borrowings of joint ventures | **1,670,730** | 993,880 |
| | **8,133,654** | 5,704,907 |

**Commitments**

*(1) Commitments for property development expenditures*

| | As at 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Contracted but not provided for | | |
| – Property development activities | **6,261,982** | 4,471,549 |
| – Acquisition of land use rights | **41,461** | 3,031,035 |
| | **6,303,443** | 7,502,584 |

*(2) Operating leases commitments*

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

| | As at 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Not later than one year | **15,887** | 11,957 |
| Later than one year and not later than two years | **1,862** | 10,719 |
| Later than two years and not later than three years | **191** | – |
| | **17,940** | 22,676 |

## 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.

## MATERIAL ACQUISITION AND DISPOSAL

For the year ended 31 December 2014, 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 2014, the Group employed a total of 7,150 employees (2013: 5,979 employees). The total staff costs of the Group for the year under review was RMB638.7 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the pay level in the industry. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

The Group has also adopted a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations. Further, the Company also adopted a share award scheme (the "Share Award Scheme") 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 will be available in the annual report of the Company.

## FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$8.0 cents per ordinary share for the year ended 31 December 2014. The final dividend is subject to the approval by shareholders at the annual general meeting ("Annual General Meeting") to be held on Tuesday, 9 June 2015. The final dividend, if approved by the Company's shareholders, will be paid on Wednesday, 8 July 2015 to the shareholders whose names appear on the register of members of the Company on Thursday, 18 June 2015.

## 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. The Company therefore strives to attain and maintain effective corporate governance practices and procedures.

During the year ended 31 December 2014 and upon the resignation of Ms. Nie Mei Sheng as a non-executive Director on 10 October 2014, the Board comprised eight members, including five executive Directors, one non-executive Director and two independent non-executive Directors. As a result, the number of independent non-executive Directors had fallen below the minimum number of three and did not consist of one-third of the Board as required under Rules 3.10 and 3.10A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The number of members of the audit committee of the Board was reduced to two, which was below the minimum number prescribed under Rule 3.21 of the Listing Rules. And the requirements for the remuneration committee and nomination committee to comprise a majority of independent non-executive directors prescribed under Rule 3.25 of the Listing Rules and code provision A.5.1 of the Corporate Governance Code ("CG Code") could not be met. Upon the appointment of Mr. Ding Zu Yu as an independent non-executive Director and a member of the audit committee, remuneration committee and nomination committee of the Company on 11 December 2014, the Company has since then re-complied with the requirements pursuant to Rules 3.10, 3.10A, 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code. Save as otherwise disclosed, the Company had at all times complied with Rule 3.10 and Rule 3.10A of the Listing Rules during the year ended 31 December 2014.

Save as the deviation above, the Directors are of the view that the Company has complied with the code provisions contained in Appendix 14 of the Listing Rules for the year ended 31 December 2014.

**CLOSURE OF REGISTER OF MEMBERS**

**(a) 2014 Annual General Meeting**

The register of members of the Company will be closed from Wednesday, 3 June 2015 to Tuesday, 9 June 2015, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to determine who are eligible to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 9 June 2015, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 2 June 2015.

**(b) Payment of the proposed final dividend**

The register of members of the Company will be closed from Monday, 15 June 2015 to Thursday, 18 June 2015, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be qualified for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 12 June 2015. Subject to shareholders' approval of the proposed final dividend of shares at the annual general meeting to be held on Tuesday, 9 June 2015, the final dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 18 June 2015.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Specific confirmation has been obtained from all Directors to confirm compliance with the required standard set out in the Model Code for the year ended 31 December 2014. No incident of non-compliance was noted by the Company to date. Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code for the year ended 31 December 2014.

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

During the year under review, the Company had repurchased from the market a total of 50,710,000 shares of the Company at price per share ranging from HK$1.12 to HK$1.30 for an aggregate consideration of HK$61,503,874. On 21 May 2014 and 26 June 2014, 50,000,000 and 710,000 repurchased shares were subsequently cancelled respectively. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share. Details of the repurchases of the listed securities were as follows:

| Month of repurchase | Number of listed securities repurchased | Highest price per share | Lowest price per share | Aggregate purchase price |
|---|---|---|---|---|
| March 2014 | 41,850,000 | HK$1.30 | HK$1.17 | HK$51,120,607 |
| April 2014 | 5,500,000 | HK$1.20 | HK$1.14 | HK$6,460,160 |
| May 2014 | 3,360,000 | HK$1.20 | HK$1.12 | HK$3,923,107 |
| | 50,710,000 | | | HK$61,503,874 |

Further, during the year under review, the Company had also repurchased 11.25% senior notes due 2018 and 9.50% senior notes due 2016 which are listed on the Stock Exchange in an aggregate amount of US$2,382,481 and RMB5,000,000 for the principal amount of US$2,315,000 and RMB5,000,000, respectively, in January 2014.

The Company has also redeemed in full an aggregate principal amount of US$200,000,000 of 13.75% senior notes due 2015 which were listed on the Singapore Stock Exchange on 15 October 2014 in a redemption amount equals to 103.4375% of its principal amount (being US$206,875,000 plus the accrued and unpaid interests). For further details, please refer to the announcement of the Company dated 15 October 2014.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

## AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls pursuant to the requirements under Rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2014 with the Company's management and it considered that such results have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

## 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 2014 and up to the date of this announcement, the Company has maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules.

## AUDITOR

The consolidated financial statements for the year ended 31 December 2014 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.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2014 is proposed to be held on Tuesday, 9 June 2015. A notice convening the annual general meeting will be published and despatched in the manner required by the Listing Rules in due course.

## PUBLICATION OF THE 2014 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

The annual report of the Company for the year ended 31 December 2014 is to be despatched to shareholders of the Company and made available on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.powerlong.com in due course.

## APPRECIATION

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

By Order of the Board
**Powerlong Real Estate Holdings Limited**
**Hoi Kin Hong**
*Chairman*

Hong Kong, 17 March 2015

*As at the date of this announcement, the executive Directors are Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni and Mr. Guo Jun; the non-executive Director is Ms. Hoi Wa Fan; and the independent non-executive Directors are Dr. Ngai Wai Fung, Dr. Mei Jian Ping and Dr. Ding Zu Yu.*