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)

2017 ANNUAL RESULTS ANNOUNCEMENT

SUMMARY OF RESULTS

- For the year ended 31 December 2017, contracted sales amounted to approximately RMB20,882 million, representing an increase of approximately 18.4% as compared with the corresponding period in 2016.

- For the year ended 31 December 2017, revenue amounted to approximately RMB15,593 million, representing an increase of approximately 9.1% as compared with the corresponding period in 2016.

- For the year ended 31 December 2017, rental income and income from property management services amounted to approximately RMB1,804 million, representing an increase of approximately 29.7% as compared with the corresponding period in 2016.

- For the year ended 31 December 2017, gross profit margin amounted to 33.5%, representing a slight increase as compared with 33.4% of the corresponding period in 2016.

- For the year ended 31 December 2017, net profit amounted to approximately RMB3,868 million, representing an increase of approximately 40.7% as compared with the corresponding period in 2016.

- For the year ended 31 December 2017, core earnings (being the profit for the year after excluding the profit attributable to fair value gains on investment properties) was approximately RMB2,266 million, representing an increase of approximately 40.8% as compared with the corresponding period in 2016.

- For the year ended 31 December 2017, the Board recommends the payment of a final dividend of HK$19.6 cents per ordinary share, together with the interim dividend of HK$5.4 cents per ordinary share for the six months ended 30 June 2017 and paid on 15 November 2017, the total dividend amounts to HK$25 cents per ordinary share, representing an increase of approximately 56.3% as compared with 2016.

The board (the "Board") of directors (the "Directors") of Powerlong Real Estate Holdings Limited (the "Company") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017, together with comparative figures for the year ended 31 December 2016, which is set out below.

CONSOLIDATED BALANCE SHEET

		31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**3,528,545**	2,797,942
Land use rights		**1,059,237**	1,050,746
Investment properties	*3*	**39,217,669**	34,353,397
Investments accounted for using the equity method		**4,187,143**	2,605,100
Deferred income tax assets		**367,842**	359,998
Available-for-sale financial assets		**462,507**	413,250
Prepayments		**1,207,135**	724,667
		50,030,078	42,305,100
Current assets			
Properties under development		**10,344,885**	8,940,371
Completed properties held for sale		**10,416,531**	11,302,986
Trade and other receivables	*4*	**10,193,184**	4,568,119
Prepayments		**4,149,405**	1,417,199
Prepaid taxes		**365,417**	418,440
Financial assets at fair value through profit or loss		**28,953**	27,003
Restricted cash		**575,538**	1,174,497
Cash and cash equivalents		**9,386,757**	8,973,804
		45,460,670	36,822,419
Total assets		**95,490,748**	79,127,519

	Note	31 December 2017 RMB'000	2016 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**2,066,162**	2,683,046
Other reserves		**656,982**	654,900
Retained earnings		**22,614,113**	19,280,371
		25,337,257	22,618,317
Perpetual Capital Instruments		**1,722,363**	1,730,075
Non-controlling interests		**2,414,569**	1,591,857
Total equity		**29,474,189**	25,940,249
LIABILITIES			
Non-current liabilities			
Borrowings	5	**25,780,008**	22,490,090
Deferred income tax liabilities		**4,733,771**	4,041,526
		30,513,779	26,531,616
Current liabilities			
Trade and other payables	6	**17,208,103**	11,234,343
Advances from customers		**3,818,693**	4,073,472
Current income tax liabilities		**4,720,124**	3,701,501
Borrowings	5	**9,755,860**	7,536,083
Derivative financial instruments		**–**	110,255
		35,502,780	26,655,654
Total liabilities		**66,016,559**	53,187,270
Total equity and liabilities		**95,490,748**	79,127,519

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	2	**15,592,641**	14,295,617
Cost of sales	7	**(10,367,557)**	(9,517,476)
Gross profit		**5,225,084**	4,778,141
Fair value gains on investment properties – net	3	**2,135,356**	1,519,884
Selling and marketing costs	7	**(500,091)**	(480,839)
Administrative expenses	7	**(895,081)**	(756,913)
Other income and gains – net	8	**561,565**	9,857
Exchange (losses)/gains – net		**(3,391)**	2,343
Operating profit		**6,523,442**	5,072,473
Finance costs – net	9	**(572,618)**	(678,968)
Share of profit of investments accounted for using the equity method		**197,359**	314,295
Profit before income tax		**6,148,183**	4,707,800
Income tax expenses	10	**(2,280,440)**	(1,958,596)
Profit for the year		**3,867,743**	2,749,204
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax		**30,193**	11,180
Currency translation differences		**(16,258)**	–
Total other comprehensive income for the year, net of tax		**13,935**	11,180
Total comprehensive income for the year		**3,881,678**	2,760,384

		Year ended 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Profit attributable to:			
Owners of the Company		**3,336,752**	2,464,682
Holders of Perpetual Capital Instruments		**117,017**	145,765
Non-controlling interests		**413,974**	138,757
		3,867,743	2,749,204
Total comprehensive income attributable to:			
Owners of the Company		**3,350,687**	2,475,862
Holders of Perpetual Capital Instruments		**117,017**	145,765
Non-controlling interests		**413,974**	138,757
		3,881,678	2,760,384
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)	*11*		
– Basic		**84.108**	62.321
– Diluted		**84.064**	62.220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

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

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

(iv) New standards and interpretations not yet adopted

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

		Effective for annual periods beginning on or after
Amendments to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Insurance contracts applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018
Amendments to HKAS 28	Investments in Associates and Joint ventures	1 January 2018
Amendments to HKAS 40	Transfers of investment property	1 January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 9 *(Note (a))*	Financial instruments	1 January 2018
HKFRS 15 *(Note (b))*	Revenue from contracts with customers	1 January 2018
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16 *(Note (c))*	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendment to HKAS 10 and 28	Sale or contribution of assets between an investor and its associate or joint venture	Deferred

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

(a) *HKFRS 9, 'Financial instruments'*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next few months.

(c) *HKFRS 16, 'Leases'*

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

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

The accounting for lessors will not significantly change.

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

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

2 SEGMENT INFORMATION

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

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

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

Segment results represent the profit earned by each segment without other income and gains – net, unallocated operating costs, finance costs – net, share of profit of investments accounted for using the equity method and income tax expenses. Property management services comprise mainly of provision of property management services and rental assistance services. Other property development related services are mainly operations of hotels. The segment results and other segment items for the year ended 31 December 2017 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Gross segment revenue	**13,301,879**	**856,203**	**1,032,255**	**486,671**	**–**	**15,677,008**
Inter-segment revenue	**–**	**–**	**(84,367)**	**–**	**–**	**(84,367)**
Revenue	**13,301,879**	**856,203**	**947,888**	**486,671**	**–**	**15,592,641**
Segment results	**3,943,669**	**2,510,693**	**115,438**	**(102,956)**	**–**	**6,466,844**
Other income and gains – net						**561,565**
Share of profit of investments accounted for using the equity method						**197,359**
Unallocated operating costs						**(504,967)**
Finance costs – net						**(572,618)**
Profit before income tax						**6,148,183**
Income tax expenses						**(2,280,440)**
Profit for the year						**3,867,743**
Depreciation	**25,745**	**–**	**7,367**	**126,260**	**–**	**159,372**
Amortisation of land use rights recognised as expenses	**–**	**–**	**–**	**24,241**	**–**	**24,241**
Fair value gains on investment properties – net	**–**	**2,135,356**	**–**	**–**	**–**	**2,135,356**

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

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

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

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

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

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

Segment assets are reconciled to total assets as follows:

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

Segment liabilities are reconciled to total liabilities as follows:

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

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

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

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

Segment liabilities consist of operating liabilities.

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

4 TRADE AND OTHER RECEIVABLES

	31 December **2017** ***RMB'000***	2016 *RMB'000*
Trade receivables – third parties *(Note (a))*	**1,482,931**	1,518,093
Less: provision for impairment of trade receivables *(Note (a))*	**(25,474)**	(20,945)
Trade receivables – net	**1,457,457**	1,497,148
Deposits for acquisition of land use rights	**138,000**	514,610
Other receivables from:	**8,597,727**	2,556,361
– Related parties	**5,818,063**	1,235,468
– Third parties	**2,779,664**	1,320,893
	10,193,184	4,568,119

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

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

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

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

As at 31 December 2017, trade receivables of RMB14,016,000 (2016: RMB28,550,000) were past due but not impaired. As the Group normally holds collateral of the properties before collection of the outstanding balances, the Group consider that these past due trade receivables would be recovered and no provision was made.

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

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

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

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

5 BORROWINGS

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

6 TRADE AND OTHER PAYABLES

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

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

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

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

8 OTHER INCOME AND GAINS – NET

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

9 FINANCE COSTS – NET

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

10 INCOME TAX EXPENSES

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

PRC corporate income tax

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

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

PRC land appreciation tax ("LAT")

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

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

Overseas income tax

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

Hong Kong profits tax

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

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

(b) Diluted

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

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

12 DIVIDENDS

The dividend paid in 2017 consist of (i) the payment of the 2016 final cash dividend of HK$16.0 cents per ordinary share totalling HK$639,568,000 (equivalent to RMB556,802,000) (2015 final dividend: HK$9.0 cents, equivalent to RMB301,397,000), excluding the dividend of RMB5,508,000 (2016: RMB3,422,000) payable to the Share Award Scheme Trust and (ii) 2017 interim dividend of HK$5.4 cents per ordinary share in form of cash totalling HK$215,854,000 (equivalent to RMB183,729,000) (2016 interim dividend: nil).

The Board recommended the payment of a final dividend of HK$19.6 cents (equivalent to RMB16.4 cents based on the exchange rate of 29 December 2017) per ordinary share. Total amount of final dividend would be HK$783,471,000 (equivalent to RMB654,911,000) which is calculated according to the ordinary shares in issue as of 31 December 2017. Such dividend is subject to approval by the shareholders at the Annual General Meeting on 8 June 2018. These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Proposed final dividends	**654,911**	572,014

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2017, both the overall transaction volume and price in China's real estate market have constantly increased and hit the record high. 2017 was the year of intensifying the structural reform on the supply-side. China's real estate policies in relation to destocking have been strengthened with multi-level and multi-regional regulations on the one hand, whilst actively facilitating the development of leasing market and pilot points for housing properties with co-ownership on the other hand, which in turn established a good and active atmosphere for the stable and healthy development of the real estate industry. For the first-tier and second-tier cities, the level of housing cost was strictly controlled, and the launch and sales of properties was slowed down. At the same time, the multi-layered housing supply system was improved by establishing a real estate system comprising both the purchase and renting of properties and optimizating the long-term effective mechanism. For the third-tier and fourth-tier cities, control policies were relatively relaxed and hence the real estate market could maintain an overall stable growth. Benefiting from diversified financing channels and high risk resistance capability, large-scale property developers were able to capture market shares in a rapid way and facilitated cooperation within the industry; as a result the industry has become more concentrated and the market consolidation were accelerated.

BUSINESS REVIEW

For the year ended 31 December 2017, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) property management services; and (iv) other property development related services. During the year under review, property development remained the main revenue stream of the Group.

Property Development

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

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

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

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

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

Properties Investment and Property Management Services

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

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

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

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

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

Hotel Business

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

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

Land Bank Replenishment

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

As at 31 December 2017, the Group had a quality land bank amounting to a total GFA of approximately 14.1 million square meters, of which approximately 6.1 million square meters were properties under development and construction and approximately 8.0 million square meters were properties held for future development. The land bank under development will be used for the development of large-scale commercial and residential properties with cinema complexes, supermarkets, food courts, sports and leisure facilities, quality residential properties, serviced apartments, office buildings and hotels. Currently, approximately two-third of the land bank of the Group is located in the Yangtze River Delta region.

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

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

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

* Total GFA excludes underground and car parking spaces.

Outlook

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Property Sales

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

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

		For the twelve months ended 31 December 2017		
		GFA sold & delivered *(sq.m.)*	**Amount sold & delivered** *(RMB'000)*	**Average selling price** *(RMB/sq.m.)*
Shanghai Qibao Powerlong City	Commercial	35,642	984,975	27,635
Shanghai Hongqiao Powerlong Land	Commercial	9,461	133,323	14,092
	Residential	185	3,208	17,341
Shanghai Baoshan Powerlong Plaza	Commercial	576	15,717	27,286
Shanghai Lingang Powerlong Mansion	Commercial	1,393	36,135	25,940
	Residential	44,722	859,352	19,215
Shanghai Wujing Powerlong Plaza	Commercial	18,246	453,821	24,872
Shanghai Qingpu Powerlong Plaza	Commercial	31,748	620,478	19,544
Shanghai Jiading Powerlong Plaza	Commercial	2,358	88,835	37,674
Shanghai Lingang Powerlong City Plaza	Commercial	5,528	139,821	25,293
Changzhou Powerlong Plaza	Commercial	40,343	253,333	6,279
Wuxi Wangzhuang Powerlong Plaza	Residential	662	3,738	5,647
Wuxi Yuqi Powerlong Riverside Garden	Residential	1,354	6,322	4,669
Zhenjiang Powerlong Plaza	Commercial	16,444	121,127	7,366
	Residential	105,663	609,260	5,766
Suzhou Taicang Powerlong Plaza	Commercial	154	965	6,266
Huai'an Powerlong Land	Commercial	14,480	105,008	7,252
Hangzhou Xiasha Powerlong Plaza	Commercial	28,684	403,728	14,075
	Residential	1,346	26,694	19,832
Hangzhou Binjiang Powerlong City	Commercial	2,810	119,304	42,457
Hangzhou Fuyang Powerlong Plaza	Commercial	9,530	148,400	15,572
	Residential	3,938	47,099	11,960
Tianjin Powerlong City	Commercial	21,953	484,659	22,077
	Residential	266,383	2,162,843	8,119
Dongying Powerlong Plaza	Commercial	6,146	37,773	6,146
	Residential	1,508	11,509	7,632
Qingdao Licang Powerlong Plaza	Commercial	1,025	10,507	10,251
Qingdao Jimo Powerlong Plaza	Residential	702	2,839	4,044
Jiaozhou Powerlong Plaza	Commercial	10,320	101,544	9,840
Jiaozhou Powerlong Art Villa	Commercial	12,351	77,517	6,276
	Residential	63,339	830,234	13,108
Tai'an Powerlong Plaza	Commercial	185	1,312	7,092
Yantai Penglai Powerlong Plaza	Commercial	24,996	184,416	7,378
	Residential	12,233	86,512	7,072
Yantai Haiyang Powerlong City	Residential	14,393	66,029	4,588
Yantai Laishan Powerlong Plaza	Commercial	7,780	55,440	7,126

		For the twelve months ended 31 December 2017		
		GFA sold & delivered	**Amount sold & delivered**	**Average selling price**
		(sq.m.)	*(RMB'000)*	*(RMB/sq.m.)*
Luoyang Powerlong Plaza	Commercial	61,368	385,461	6,281
	Residential	205	2,316	11,298
Xinxiang Powerlong Plaza	Commercial	4,574	57,371	12,543
	Residential	3,774	20,895	5,537
Chongqing Hechuan Powerlong Plaza	Commercial	14,271	76,597	5,367
	Residential	31,541	130,234	4,129
Xiamen Powerlong One Mall	Commercial	2,411	70,594	29,280
Quanzhou Anxi Powerlong Plaza	Commercial	1,924	31,101	16,165
Quanzhou Jinjiang Powerlong Plaza	Commercial	4,114	18,686	4,542
	Residential	36,852	243,278	6,601
Quanzhou Yongchun Powerlong Plaza	Commercial	8,914	78,718	8,831
	Residential	145,119	765,511	5,275
Zhangzhou Yunxiao General Avenue No. 1	Commercial	14,009	114,501	8,173
	Residential	7,308	36,478	4,992
Fuyang Powerlong Plaza	Commercial	33,832	457,662	13,527
	Residential	257,658	1,518,699	5,894
Total		1,446,455	13,301,879	9,196
	Commercial	447,570	5,868,829	13,113
	Residential	998,885	7,433,050	7,441

Rental Income from Investment Properties and Income from Property Management Services

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

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

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

Income of Other Property Development Related Services

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Fair Value Gains on Investment Properties

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

Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs and administrative expenses for the year ended 31 December 2017 amounted to approximately RMB1,395 million (2016: approximately RMB1,238 million), representing an increase of approximately 12.7% over 2016, mainly attributable to growth in business, leading to expansion in scale of sales and management projects. The Group will continue to exercise stringent control over expenses and costs whilst at the same time strive to continue the Group's business expansion.

Share of Profit of Investments Accounted for Using the Equity Method

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

Income Tax Expenses

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

Profit Attributable to Owners of the Company

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

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

Core profits (being the profit for the year after excluding the profit attributable to fair value gains on investment properties) for the year ended 31 December 2017 reached approximately RMB2,266 million (2016: approximately RMB1,609 million), representing an increase of approximately 40.8% as compared with the corresponding period in 2016.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

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

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB9,962 million in total as at 31 December 2017 (2016: approximately RMB10,148 million), representing a decrease of approximately 1.8% as compared with the end of 2016.

Borrowings

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

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

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

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

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

Net Gearing Ratio

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

Borrowing Cost

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

Credit Policy

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

Pledge of Assets

As at 31 December 2017, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of approximately RMB33,278 million (2016: approximately RMB27,658 million) to secure borrowings of the Group. The total secured borrowings as at 31 December 2017 amounted to approximately RMB18,769 million (2016: approximately RMB13,776 million).

Contingent Liabilities

As at 31 December 2017, the Group had no significant contingent liabilities.

Financial Guarantees

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

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

Commitments

(1) Commitments for property development expenditures

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

(2) Operating leases commitments

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

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

FOREIGN CURRENCY RISK

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

MATERIAL ACQUISITION AND DISPOSAL

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

EMPLOYEES AND EMOLUMENT POLICY

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

Further, the Company has previously adopted a share award scheme (the "Share Award Scheme"), with a term of 6 years, 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. On 2 December 2016, the Company entered into a deed of variation to the Trust Deed with HSBC Trustee (Hong Kong) Limited to extend the trust period from 2 December 2016 to 31 December 2017. Details of the amendments to the Share Award Scheme are set out in the announcement of the Company dated 2 December 2016. On 26 October 2017, the Group terminated the Share Award Scheme. Details of termination of the Share Award Scheme are set out in the announcement of the Company dated 26 October 2017.

Further information in relation to the Share Award Scheme will be available in the annual report of the Company for the year ended 31 December 2017.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2017 is proposed to be held on Friday, 8 June 2018 (the "Annual General Meeting"). A notice convening the Annual General Meeting will be published and despatched in the manner as required by the Rules Governing Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

(a) Attending Annual General Meeting

For the purpose of determining the shareholders' rights to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 4 June 2018 to Friday, 8 June 2018, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be eligible to attend and vote at the Annual General Meeting, 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, 1 June 2018.

(b) Payment of the proposed final dividend

For the purpose of determining the shareholders' entitlement to the proposed final dividend for the year ended 31 December 2017, the register of members of the Company will be closed from Tuesday, 19 June 2018 to Friday, 22 June 2018, 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 for the year ended 31 December 2017, 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, 15 June 2018.

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 2017. 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 2017.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence to the Company and the Company's accountability. The Company therefore strives to attain and maintain effective corporate governance practices and procedures.

The Directors are of the view that the Company has complied with all applicable code provisions contained in Appendix 14 of the Listing Rules for the year ended 31 December 2017. Further information about the corporate governance practices of the Company will be set out in the annual report of the Company for the year ended 31 December 2017.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee"), which comprises three independent non-executive Directors, pursuant to the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee and the auditor of the Company have reviewed the annual results of the Group for the year ended 31 December 2017 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.

AUDITOR

The figures in respect of this announcement for the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereon for the year ended 31 December 2017 have been agreed by the Company's external auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong

Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on this announcement.

PwC shall retire at the forthcoming annual general meeting at which a resolution will be proposed for the re-appointment of PwC as the auditor of the Company.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF THE 2017 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 2017 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, 26 March 2018

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