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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

RESULTS HIGHLIGHTS

- For the six months ended 30 June 2018, the contracted sales amounted to approximately RMB16,341 million, representing an increase of approximately 80.3% over the corresponding period in 2017;

- For the six months ended 30 June 2018, revenue amounted to approximately RMB9,284 million, representing an increase of approximately 21.7% over the corresponding period in 2017;

- For the six months ended 30 June 2018, rental income and income from property management services amounted to approximately RMB1,060 million, representing an increase of approximately 24.6% over the corresponding period in 2017;

- For the six months ended 30 June 2018, profit for the period was approximately RMB1,784 million, increased by approximately 15.3% over the corresponding period in 2017;

- For the six months ended 30 June 2018, core earnings was approximately RMB1,227 million, increased by approximately 26.2% over the corresponding period in 2017;

- The board (the “**Board**”) of directors (the “**Directors**”) declared an interim dividend of HK$6.8 cents per ordinary share for the six months ended 30 June 2018, increased by approximately 25.9% over the corresponding period in 2017.

The Board of Directors of Powerlong Real Estate Holdings Limited (the "**Company**" or "**Powerlong**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**30 June 2018 Unaudited** *RMB'000*	31 December 2017 Audited *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**3,715,697**	3,528,545
Land use rights		**1,115,365**	1,059,237
Investment properties	*4*	**41,662,531**	39,217,669
Investments accounted for using the equity method		**3,898,032**	4,187,143
Deferred income tax assets		**420,877**	367,842
Available-for-sale financial assets		**–**	462,507
Financial assets at fair value through other comprehensive income ("FVOCI")		**401,167**	–
Prepayments		**1,719,647**	1,207,135
		52,933,316	50,030,078
Current assets			
Properties under development		**20,417,394**	10,344,885
Completed properties held for sale		**8,961,056**	10,416,531
Contract assets		**11,617**	–
Trade and other receivables	*5*	**13,806,328**	10,193,184
Prepayments		**2,994,653**	4,149,405
Prepaid taxes		**329,080**	365,417
Financial assets at fair value through profit or loss		**150,114**	28,953
Restricted cash		**504,104**	575,538
Cash and cash equivalents		**13,317,327**	9,386,757
		60,491,673	45,460,670
Total assets		**113,424,989**	95,490,748

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

	Note	**30 June 2018 Unaudited** *RMB'000*	31 December 2017 Audited *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**1,404,990**	2,066,162
Other reserves		**630,702**	656,982
Retained earnings		**23,974,586**	22,614,113
		26,010,278	25,337,257
Perpetual Capital Instruments		**1,004,349**	1,722,363
Non-controlling interests		**3,456,789**	2,414,569
Total equity		**30,471,416**	29,474,189
LIABILITIES			
Non-current liabilities			
Borrowings	*6*	**30,645,903**	25,780,008
Deferred income tax liabilities		**5,709,383**	4,733,771
		36,355,286	30,513,779
Current liabilities			
Trade and other payables	*7*	**21,177,298**	17,208,103
Advances from customers		**–**	3,818,693
Contract liabilities		**6,487,684**	–
Current income tax liabilities		**5,182,753**	4,720,124
Borrowings	*6*	**12,072,783**	9,755,860
Convertible bonds		**1,677,769**	–
		46,598,287	35,502,780
Total liabilities		**82,953,573**	66,016,559
Total equity and liabilities		**113,424,989**	95,490,748

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	**Six months ended 30 June 2018 Unaudited *RMB'000***	2017 Unaudited *RMB'000*
Revenue	*3*	**9,283,879**	7,631,035
Cost of sales		**(5,778,402)**	(4,867,477)
Gross profit		**3,505,477**	2,763,558
Fair value gains on investment properties – net	*4*	**1,001,637**	635,750
Selling and marketing costs		**(356,755)**	(254,228)
Administrative expenses		**(568,588)**	(482,962)
Other income and gains – net		**157,043**	71,730
Operating profit		**3,738,814**	2,733,848
Finance costs – net	*8*	**(591,886)**	(189,342)
Share of profit of investments accounted for using the equity method		**46,110**	86,721
Profit before income tax		**3,193,038**	2,631,227
Income tax expense	*9*	**(1,409,433)**	(1,084,184)
Profit for the period		**1,783,605**	1,547,043
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
Currency translation differences		**3,927**	–
Items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income		**(14)**	–
Total other comprehensive income for the period, net of tax		**3,913**	30,193
Total comprehensive income for the period		**1,787,518**	1,577,236

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Six months ended 30 June **2018** **Unaudited** ***RMB'000***	 2017 Unaudited *RMB'000*
Profit attributable to:			
Owners of the Company		**1,330,280**	1,490,321
Holders of Perpetual Capital Instruments		**46,316**	40,222
Non-controlling interests		**407,009**	16,500
		1,783,605	1,547,043
Total comprehensive income attributable to:			
Owners of the Company		**1,334,193**	1,520,514
Holders of Perpetual Capital Instruments		**46,316**	40,222
Non-controlling interests		**407,009**	16,500
		1,787,518	1,577,236
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	*10*		
– Basic		**33.279**	37.656
– Diluted		**31.310**	37.614

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation and accounting policies

The Interim Financial Information has been prepared in accordance with HKAS 34 "*Interim Financial Reporting*". The Interim Financial Information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except the adoption of new standards, amended standards and interpretations as described below.

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

Amendments to HKFRS 1	First Time Adoption of HKFRS
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Insurance Contracts Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

Save for the impact of adoption of HKFRS 9 and HKFRS 15 set out in Note 2, the adoption of the other new and amended standards did not have any material impact on the Interim Financial Information.

(b) The following new standards and amended standards have been issued but are not effective for the financial year beginning on or after 1 January 2018 and have not been early adopted:

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

The impact of new and amended standards and interpretation above is still under assessment by the Group.

2 Changes in accounting policies

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

2.1 Adoption of HKFRS 9

Impact of adoption

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

HKFRS 9 requires an impairment on trade and other receivables and contract assets that are not accounted for at fair value through profit or loss, to be recorded based on an expected credit loss model either on a 12-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables and contract assets. The Group applied general approach and recorded either 12-month expected credit losses or lifetime expected credit on its other receivables.

2.2 Adoption of HKFRS 15

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

Impact of adoption

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

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

Presentation of contract liabilities

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

Accounting for property development activities

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

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

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

Accounting for costs incurred to obtain a contract

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

Accounting for significant financing component

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

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

3 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 consider 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.

Segment results represent profit earned by each segment without unallocated operating costs, other income and gains, finance costs, share of profit of investment accounted for using equity method and income tax expense. Property management services comprise mainly of provision of property management services and rental assistance services. Other property development related services are mainly operations of hotels.

The segment results and other segment items for the six months ended 30 June 2018 are as follows:

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management services** *RMB'000*	**Other property development related services** *RMB'000*	**Elimination** *RMB'000*	**Group** *RMB'000*
Gross segment revenue	**7,915,627**	**464,717**	**637,442**	**308,854**	**–**	**9,326,640**
Inter-segment revenue	**–**	**–**	**(42,761)**	**–**	**–**	**(42,761)**
Revenue	**7,915,627**	**464,717**	**594,681**	**308,854**	**–**	**9,283,879**
Segment results	**2,564,850**	**1,270,981**	**132,248**	**(83,390)**	**–**	**3,884,689**
Unallocated operating costs						**(302,918)**
Other income and gains – net						**157,043**
Finance costs – net *(Note 8)*						**(591,886)**
Share of profit of investments accounted for using the equity method						**46,110**
Profit before income tax						**3,193,038**
Income tax expense						**(1,409,433)**
Profit for the period						**1,783,605**
Depreciation and amortisation recognised as expenses	**25,032**	**–**	**4,407**	**73,555**	**–**	**102,994**
Fair value gains on investment properties – net *(Note 4)*	**–**	**1,001,637**	**–**	**–**	**–**	**1,001,637**

The segment results and other segment items for the six months ended 30 June 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	6,543,749	413,497	469,802	236,642	–	7,663,690
Inter-segment revenue	–	–	(32,655)	–	–	(32,655)
Revenue	6,543,749	413,497	437,147	236,642	–	7,631,035
Segment results	2,032,434	866,646	50,276	(73,282)	–	2,876,074
Unallocated operating costs						(213,956)
Other income and gains – net						71,730
Finance costs – net *(Note 8)*						(189,342)
Share of profit of investments accounted for using the equity method						86,721
Profit before income tax						2,631,227
Income tax expense						(1,084,184)
Profit for the period						1,547,043
Depreciation and amortisation recognised as expenses	19,572	–	2,473	69,146	–	91,191
Fair value gains on investment properties – net *(Note 4)*	–	635,750	–	–	–	635,750

Segment assets and liabilities as at 30 June 2018 are as follows:

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management services** *RMB'000*	**Other property development related services** *RMB'000*	**Elimination** *RMB'000*	**Group** *RMB'000*
Segment assets	**52,632,135**	**44,159,995**	**1,378,171**	**4,602,747**	**(5,308,677)**	**97,464,371**
Other assets						**15,960,618**
Total assets						**113,424,989**
Segment liabilities	**20,414,729**	**2,231,905**	**1,115,561**	**3,841,162**	**(5,308,677)**	**22,294,680**
Other liabilities						**60,658,893**
Total liabilities						**82,953,573**
Capital expenditure	**250,973**	**1,571,430**	**1,062**	**100,031**	**–**	**1,923,496**
Interest in joint ventures						**3,278,810**
Interest in associates						**619,222**

Segment assets and liabilities as at 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*
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
Interest in joint ventures						3,602,736
Interest in associates						584,407

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

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 condensed consolidated interim 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 condensed consolidated interim balance sheet. 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, contract assets, 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.

4 Investment properties

	Completed investment properties *RMB'000*	Investment properties under construction *RMB'000*	Total *RMB'000*
Six months ended 30 June 2018			
Opening amount as at 1 January 2018	**34,145,966**	**5,071,703**	**39,217,669**
Additions	**291,457**	**1,279,973**	**1,571,430**
Transfers	**108,648**	**(108,648)**	**–**
Transfers to completed properties held for sale – net	**(128,205)**	**–**	**(128,205)**
Fair value gains – net	**938,726**	**62,911**	**1,001,637**
Closing amount as at 30 June 2018	**35,356,592**	**6,305,939**	**41,662,531**
Six months ended 30 June 2017			
Opening amount as at 1 January 2017	31,157,718	3,195,679	34,353,397
Additions	4,171	741,866	746,037
Transfers from completed properties held for sale	406,433	–	406,433
Fair value gains – net	432,976	202,774	635,750
Disposals	(30,837)	–	(30,837)
Closing amount as at 30 June 2017	31,970,461	4,140,319	36,110,780

5 Trade and other receivables

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Trade receivables – third parties *(Note (a))*	**1,559,785**	1,482,931
Less: provision for impairment of trade receivables *(Note (a))*	**(25,601)**	(25,474)
Trade receivables – net	**1,534,184**	1,457,457
Deposits for acquisition of land use rights	**271,740**	138,000
Other receivables	**12,000,404**	8,597,727
– Related parties	**7,914,040**	5,818,063
– Third parties	**4,086,364**	2,779,664
	13,806,328	10,193,184

(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.

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Not due	**1,469,149**	1,436,905
Overdue	**90,636**	46,026
	1,559,785	1,482,931

As at 30 June 2018 and 31 December 2017, the ageing analysis of the overdue trade receivables of the Group were as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Within 180 days	**64,443**	16,203
180 days to 365 days	**9,993**	16,576
Over 365 days	**16,200**	13,247
	90,636	46,026

As at 30 June 2018, trade receivables of RMB59,430,000 (31 December 2017: RMB14,016,000) were past due but not impaired. As the Group normally holds collateral of the properties before collection of the outstanding balances, the Group considers that the past due trade receivables would be recovered and no provision was made.

As at 30 June 2018, trade receivables of RMB31,206,000 were past due and impaired (31 December 2017: RMB32,010,000) and a provision of RMB25,601,000 has been made (31 December 2017: RMB25,474,000). The individually impaired receivables mainly related to certain lessees of the Group's investment properties, which were in unexpectedly difficult economic situations.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
At 1 January	**25,474**	20,945
Provision for impairment of trade receivables	**2,705**	795
Receivables written off during the period as uncollectible	**(2,578)**	(1,327)
At 30 June	**25,601**	20,413

(b) As at 30 June 2018 and 31 December 2017, the fair value of trade and other receivables approximated their carrying amounts. The maximum exposure to credit risk of the trade and other receivables at the reporting date was the carrying value of each class of receivables.

6 Borrowings

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Borrowings included in non-current liabilities:		
Senior notes	**7,961,476**	5,566,933
– due April 2021	**2,300,578**	–
– due September 2021	**1,309,977**	1,285,452
– due July 2020	**2,012,672**	1,975,170
– due November 2018	**2,338,249**	2,306,311
Corporate bonds	**11,461,789**	11,546,494
Bank borrowings – secured	**18,266,959**	13,421,920
Other borrowings – secured	**2,490,927**	2,737,751
Less: amounts due within one year	**(9,535,248)**	(7,493,090)
	30,645,903	25,780,008
Borrowings included in current liabilities:		
Short-term commercial papers	**300,000**	–
Bank borrowings – secured	**2,237,535**	2,262,770
Current portion of long-term borrowings	**9,535,248**	7,493,090
	12,072,783	9,755,860
Total borrowings	**42,718,686**	35,535,868

7 Trade and other payables

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Trade payables	**6,750,115**	7,156,449
– Related parties	**11,215**	18,839
– Third parties	**6,697,392**	7,107,328
– Notes payable – third parties	**41,508**	30,282
Other payables and accruals	**12,324,698**	8,580,273
– Related parties	**5,697,395**	4,508,599
– Third parties	**6,627,303**	4,071,674
Payables for retention fee	**798,838**	697,633
Payables for acquisition of land use rights	**108,579**	261,286
Other taxes payable	**533,896**	512,462
Dividend payables to owners of the Company	**661,172**	–
	21,177,298	17,208,103

As at 30 June 2018 and 31 December 2017, the ageing analysis of trade payables of the Group based on invoice date were as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Within 90 days	**1,681,665**	4,525,782
Over 90 days and within 180 days	**3,235,743**	804,875
Over 180 days and within 365 days	**830,714**	955,536
Over 365 days and within 3 years	**1,001,993**	870,256
	6,750,115	7,156,449

8 Finance costs – net

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interest expenses on:	**1,248,185**	871,123
– Senior notes	**239,351**	123,340
– Corporate bonds	**354,227**	393,065
– Short-term commercial papers	**3,333**	–
– Bank and other borrowings	**634,646**	354,718
– Convertible Bonds	**16,628**	–
Less: interests capitalised	**(850,700)**	(583,456)
	397,485	287,667
Foreign exchange differences on financing activities:		
– Foreign exchange losses/(gains) on financing activities – net	**306,164**	(98,325)
Less: foreign exchange differences capitalised	**(111,763)**	–
	194,401	(98,325)
Finance costs – net	**591,886**	189,342

9 Income tax expense

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current income tax:		
– PRC corporate income tax	**639,098**	567,678
– PRC land appreciation tax	**602,017**	404,980
	1,241,115	972,658
Deferred income tax:		
– PRC corporate income tax	**180,813**	111,526
– PRC land appreciation tax	**(12,495)**	–
	168,318	111,526
	1,409,433	1,084,184

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in the PRC ("PRC subsidiaries") is 25% according to the Corporate Income Tax Law of the People's Republic of China effective on 1 January 2008.

According to the Corporate Income Tax Law and Implementation Rules, 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 Group's direct 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 the Interim Financial Information as the Group did not have assessable profit in Hong Kong for the period. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

10 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 period (excluding ordinary shares purchased by the Group and held for the share award scheme for the six months ended 30 June 2017).

	Six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**1,330,280**	1,490,321
Weighted average number of ordinary shares in issue (thousand shares)	**3,997,303**	3,957,753
Basic earnings per share (RMB cents per share)	**33.279**	37.656

(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.

Profit attributable to owners of the Company	**Six months ended 30 June**	
	2018	2017
Profit attributable to owners of the Company (RMB'000):		
Used in calculating basic earnings per share	**1,330,280**	1,490,321
Add: interest expenses on Convertible Bonds	**16,628**	–
Used in calculating diluted earnings per share	**1,346,908**	1,490,321

Weighted average number of ordinary shares	**Six months ended 30 June**	
	2018	2017
Weighted average number of ordinary shares and potential ordinary shares (thousand shares):		
Used in calculating basic earnings per share	**3,997,303**	3,957,753
Adjustments:		
– Convertible Bonds	**304,488**	–
– awarded shares under share awarded scheme	**–**	4,418
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	**4,301,791**	3,962,171
Diluted earnings per share (RMB cents per share)	**31.310**	37.614

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

11 Dividends

On 22 August 2018, the Company declared an interim dividend of HK$6.8 cents per ordinary share in form of cash for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$5.4 cents per ordinary share). Total amount of interim dividend would be HK$271,817,000 (equivalent to RMB229,169,000) which was calculated according to the number of ordinary shares in issue as of 30 June 2018. This interim dividend has not been recognised as liabilities in this interim financial information.

The 2017 final cash dividend amounting to HK$783,471,000 (equivalent to RMB661,172,000) (2016: RMB556,802,000) was approved by the annual general meeting of the Company held on 8 June 2018 and was paid on 12 July 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Reviewing the first half of 2018, the control measures of real estate policies continued to suppress irrational demand on one hand, and shift the focus to mid-to-long term demand and supply structural adjustment on the other hand. In the first half of 2018, the sales of domestic commodity properties maintained a steady upward trend while the market activities remained frequent. The land market has entered into a phase of segmentation whereas the rate of property market transaction varied in different regions. The markets in the first- and some hotspot second-tier cities were cooled down under the control measures, while the land supply continued to shrink. The transacted land size recorded a year-on-year increase, but the transaction premium remained low. Some second-tier cities with additional land supply recorded an increase in trading volume with a stable selling price. Under the positive influences of market sector rotation and shanty area transformation, there was a year-on-year increase in the level of overall transaction scale in the markets of third- and fourth-tier cities. With further implementation of fundamental reform of key housing policies and accelerated establishment of the long-term effective mechanism by the PRC government and under the drive of the increasingly perfecting foundation, the PRC real estate market in 2018 will be operated in a stable and controlled manner.

BUSINESS REVIEW

For the six months ended 30 June 2018, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) property management services; and (iv) other property development related services. During the period under review, property development remained the main revenue stream of the Group.

Property Development

For the six months ended 30 June 2018, the contracted sales of the Group together with its associates and joint ventures reached approximately RMB16,341 million (for the six months ended 30 June 2017: RMB9,061 million), representing an increase of approximately 80.3% as compared with the corresponding period in 2017. For the six months ended 30 June 2018, the contracted sales area of the Group together with its associates and joint ventures amounted to approximately 1,159,970 square meters (for the six months ended 30 June 2017: 658,446 square meters), representing an increase of approximately 76.2% as compared with the corresponding period in 2017.

During the period under review, the Group's contracted sales experienced a significant year-on-year increase, which was mainly attributable to the comprehensive review, positioning and optimization of each product line, improvement on standardization, and further enhancement on the quality of three-point-one-line management model by the Group's sales team. Property sales were adapted to local conditions, satisfying demands of the local market and fulfilling requirements from the local government. Meanwhile, for the residential projects, the Group had accelerated the turnover and sales based on the "369" development mode and achieved a satisfactory result. During the period under review, the key contributing projects (including those of subsidiaries and joint ventures) were located in Ningbo, Hangzhou, Shanghai, Shaoxing and Haikou, the PRC.

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

Distribution	For the six months ended 30 June 2018 Sales area *sq.m.*	 Sales amount *RMB'000*	Average selling price *RMB/sq.m.*
Commercial	219,519	3,141,695	14,312
Residential	940,451	13,198,831	14,035
Total	1,159,970	16,340,526	14,087

Property Investment and Property Management Services

To generate a stable and recurring income, the Group also retained and operated certain commercial properties for leasing. As at 30 June 2018, the Group had an aggregate gross floor area ("**GFA**") of approximately 4,725,907 square meters (as at 31 December 2017: 4,345,577 square meters) held as investment properties (including completed properties and properties under construction), representing an increase of approximately 8.8% as compared with that as at 31 December 2017.

As at 30 June 2018, the Group operated and managed 34 commercial plazas, with the number of operating projects and size of operating area both being amongst the forefront of the industry. During the period under review, the Group was committed to reconstructing the commercial management system, comprehensively enhancing the quality of investment promotion, and further improving the standardized commercial management system to lay a solid foundation for the continuous development of the commercial operation. Meanwhile, the Group further transformed and upgraded the existing benchmark projects. With the "slowing down the pace of life and enjoying the good time at home" concept, Qibao Powerlong City has been established into a benchmark shopping centre with increasing operational efficiency. Adopting the concept of smart retail, Binjiang Powerlong City realized the connection between online and offline shopping. With flagship stores of innovative brands and popular online brands settled in, operation potential of this plaza is expected to be continuously unleashed.

Hotel Development

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-operated brand chain hotels.

As at 30 June 2018, the Group owned eight 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) and Aloft Yancheng (鹽城雅樂軒酒店), as well as owned and operated eight self-owned brand chain hotels, namely ARTELS Qingdao (青島寶龍藝築酒店), ARTELS Anxi (安溪寶龍藝築酒店), ARTELS+ Huaian Jiangsu (江蘇淮安藝悦酒店), ARTELS+ Fuyang Hangzhou (杭州富陽藝悦酒店), ARTELS+ Collection Lingang Shanghai (上海臨港藝悦精選酒店), ARTELS+ Collection Hechuan Chongqing (重慶合川藝悦精選酒店), ARTELS+ Wujing Shanghai (上海吳涇藝悦酒店) and JUNTELS Binjiang Hangzhou (杭州濱江藝珺酒店).

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support its property development pipeline for the forthcoming three to five years. Adhering to the development strategy of "Focus on Shanghai and Strengthen Development in Yangtze River Delta", the Group will continuously lay out precise strategic plans by mastering the correct policy directions. Through strict compliance with the principle of value investment, the Group maintained diversified land acquisition channels and stepped up its efforts in collaborative mergers and acquisitions.

As at 30 June 2018, the Group had a quality land bank amounting to a total GFA of approximately 18.0 million square meters, of which approximately 7.5 million square meters were properties under development and construction and approximately 10.5 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 70% of the Group's land bank is located in the Yangtze River Delta region.

During the period 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:

Project Name	**Land Nature**	**Site Area ('000 sq.m.)**	**Total GFA* ('000 sq.m.)**	**Attributable interest**
Nanjing Lot G71 Project	Residential	87	216.6	30.0%
Yongkang City Jiefang Street Commercial and Residential Project	Commercial/ residential	69	218.5	28.7%

Project Name	Land Nature	Site Area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Xuzhou Feng Town Beihuan Road Project	Commercial/ residential	196	490.7	100.0%
Zhenjiang Runzhou Tanshan Road Project	Commercial/ residential	56	180.3	34.0%
Yiwu Fotangjiangbin Phase 1 Lot 1# Project	Commercial/ residential	84	185.4	50.0%
Ningbo-Fenghua Rail Transit Jinhailu Station Terminal Project	Commercial/ residential	46	189.0	82.0%
Yancheng Development Project	Commercial/ residential	186	334.9	65.0%
Huai'an Qingjiangpu Project	Commercial/ residential	96	216.7	100.0%
Wenzhou Jade World	Residential	56	223.6	13.1%
Ningbo Yinzhou Xincheng Shounan Section Lot YZ08-09-15 Project	Commercial/ residential	121	361.0	82.0%
Zhoushan Yancang Lot DH-41-01-11, DH-41-01-14 Project	Commercial/ residential	33	63.0	82.0%
Nanjing Gaochun Phase II	Commercial/ residential	39	117.9	82.0%
Zhangzhou Longwen Lantian Project	Commercial/ residential	69	178.1	82.0%
Wenzhou Airport New District Project	Commercial/ residential	191	344.3	100.0%
Total		1,329	3,320.0	

* *Total GFA excludes underground and car parking spaces.*

OUTLOOK

In the second half of 2018, the real estate policies in the PRC will be in line with the principle of "houses are for living-in". The establishment of the long-term effective mechanism will continue to be facilitated by the PRC government. There is no doubt that more cities will be involved in the intensive structural adjustment of real estate market. The implementation of governmental-led policies for supporting housing and establishment of market-oriented housing supply system which can satisfy multi-level demands, will be further accelerated in the second half of 2018.

The Group will continue to take the initiative in innovative development under the perspective of "change". For the seven months ended 31 July 2018, the Group has completed approximately 58.1% of the contracted sales target of 35.0 billion dollars for the year 2018. We believe that during the year 2017 and at the beginning of 2018, the land reserves we acquired before at reasonable cost defended us against the tight real estate market, and such land reserves bear the appreciation potential when favourable real estate policies are presented in the future. The Group is confident of achieving and surpassing the contracted sales target for the year 2018.

The Group will further step up its efforts in expanding its land bank to have a full coverage on quality land in strategic regions. The Group will improve its capability in professionalization and standardization of land acquisition. The Group has been and will be able to timely and precisely master the policy directions and land information, lower its cost of land acquisition, reinforce time control while further exploring the positioning value of land so as to enhance its competitiveness in all aspects.

The Group will meticulously polish one of its commercial benchmarks where it will construct Xiamen Powerlong One Mall into a high-end positioning and high quality city benchmark, which is to be launched within the second half of the year. The Group will adhere to the pursuit of quality and further enhance efficiency of positioning, investment promotion, experiences and services, in order to comprehensively increase efficiency from multiple perspectives. Meanwhile, the Group will strengthen the collaboration among all asset management and business departments, and achieve a completed management and control over the whole development and operation process. The Group will adhere to a customer-oriented approach to improve the quality of services.

For the Group's hotel management business, there will be breakthroughs in the existing business model. The Group will integrate its resources, enhance the combination of hotel business with arts and new retailing style, develop new consumption channels, improve services details and hence enhancing its operational efficiency.

The Group will maintain its stable and sound financial position, maintain and optimize its debt structure and implement strategies over finance costs control. Meanwhile, the Group will strive to achieve scale expansion and value increase on the basis of thorough understanding of market demand.

The Group will accelerate the innovation of business models and operation system, explore new ideas from various dimensions and diligently seek for opportunities of external cooperation. Meanwhile, the Group will improve the internal incentive system and pay attention to talents cultivation by setting up multi-stage training plan which is applicable for all employees. The Group will uphold the spirit of entrepreneurship, fully unleash the vibrancy of its staff and create a joyful and wonderful working atmosphere.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises of revenue from property sales, rental income from investment properties, income from property management services and other income from property development related services. For the six months ended 30 June 2018, the Group recorded a total revenue of approximately RMB9,284 million (for the six months ended 30 June 2017: approximately RMB7,631 million), representing an increase of approximately 21.7% as compared with the corresponding period in 2017. This was mainly attributable to an increase in revenue from each business category.

Revenue from Property Sales

During the period under review, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. Revenue from property sales during the six months ended 30 June 2018 amounted to approximately RMB7,916 million (for the six months ended 30 June 2017: approximately RMB6,544 million), representing an increase of approximately 21.0% as compared with the corresponding period in 2017. This was mainly attributable to an increase in the GFA delivered as compared with that of the corresponding period last year.

Set forth below are the distribution of the revenue from property sales during the period under review:

		For the six months ended 30 June 2018		
		GFA *(sq.m.)*	**Amount** *(RMB'000)*	**Average selling price** *(RMB/sq.m.)*
Yangtze River Delta	Commercial	182,516	2,650,282	14,521
	Residential	223,660	2,657,178	11,880
Bohai Rim	Commercial	73,168	848,242	11,593
	Residential	6,051	111,884	18,490
Central and Western Region	Commercial	45,054	365,077	8,103
	Residential	109,542	609,176	5,561
West Strait Economic Zone	Commercial	36,083	166,177	4,605
	Residential	10,356	56,499	5,456
Others	Residential	34,275	451,112	13,162
Total		720,705	7,915,627	10,983
	Commercial	336,821	4,029,778	11,964
	Residential	383,884	3,885,849	10,122

Rental Income from Investment Properties and Income from Property Management Services

For the six months ended 30 June 2018, the Group recorded rental income from investment properties of approximately RMB465 million (for the six months ended 30 June 2017: approximately RMB414 million), representing an increase of approximately 12.3% as compared to the amount in the corresponding period in 2017.

For the six months ended 30 June 2018, income from property management services is mainly generated from provision of property management services and rental assistance services in the projects developed by the Group. The net income after elimination of intra-group transactions amounted to approximately RMB595 million (for the six months ended 30 June 2017: approximately RMB437 million), representing an increase of approximately 36.2% as compared to the amount in the corresponding period in 2017.

For the six months ended 30 June 2018, rental income from investment properties and income from property management services fee amounted to approximately RMB1,060 million (for the six months ended 30 June 2017: approximately RMB851 million), representing an increase of approximately 24.6% as compared to the amount in the corresponding period in 2017. 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 six months ended 30 June 2018, the Group's income of other property development related services amounted to approximately RMB309 million (for the six months ended 30 June 2017: approximately RMB237 million), representing an increase of approximately 30.4% as compared to the amount in the corresponding period in 2017. It was mainly attributable to the year-on-year increase in income from hotel operation of the Group.

Cost of Sales

Cost of sales mainly represents the direct cost related to the property development of the Group. It comprises cost of land use rights, construction costs, decoration costs and other costs. For the six months ended 30 June 2018, cost of sales amounted to approximately RMB5,778 million (for the six months ended 30 June 2017: approximately RMB4,867 million), representing an increase of approximately 18.7% as compared to the amount in the corresponding period in 2017, which was mainly due to the increase in total costs as a result of the increase in total GFA of properties sold and delivered during the period under review.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2018, gross profit amounted to approximately RMB3,505 million (for the six months ended 30 June 2017: approximately RMB2,764 million), representing an increase of approximately 26.8% as compared with the corresponding period in 2017. Gross profit margin increased from 36.2% in the corresponding period in 2017 to 37.8% for the six months ended 30 June 2018.

Fair Value Gains of Investment Properties

For the six months ended 30 June 2018, the Group recorded revaluation gains of approximately RMB1,002 million (for the six months ended 30 June 2017: approximately RMB636 million), representing an increase of approximately 57.5% over the amount in the corresponding period in 2017. The increase in revaluation gains were mainly due to the appreciation of the value of investment properties located in the established business circles.

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2018, selling and marketing costs and administrative expenses amounted to approximately RMB925 million (for the six months ended 30 June 2017: approximately RMB737 million), representing an increase of approximately 25.5% as compared with that in the corresponding period in 2017, which was mainly due to the Group's business expansion, which in turn caused the expansion in scale of sales and management projects. The Group will continue to exercise stringent control over expenses and costs whilst at the same time strive to continue the Group's business expansion.

Share of Profit of Investments Accounted for Using the Equity Method

For the six months ended 30 June 2018, share of post-tax profit of investments accounted for using the equity method amounted to approximately RMB46 million (for the six months ended 30 June 2017: approximately RMB87 million), representing a decrease of approximately 47.1% as compared with the corresponding period in 2017, mainly due to the decrease of related profit of joint ventures.

Income Tax Expense

Income tax expense amounted to approximately RMB1,409 million (for the six months ended 30 June 2017: approximately RMB1,084 million) for the six months ended 30 June 2018, representing an increase of approximately 30.0% as compared with the corresponding period in 2017, primarily due to the increase in PRC corporate income tax and land appreciation tax.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2018, the Group recorded a profit attributable to owners of the Company of approximately RMB1,330 million (for the six months ended 30 June 2017: approximately RMB1,490 million), representing a decrease of approximately 10.7% over the corresponding period in 2017.

For the six months ended 30 June 2018, basic earnings per share was approximately RMB33.3 cents (for the six months ended 30 June 2017: approximately RMB37.7 cents), representing a decrease of approximately 11.7% over the corresponding period in 2017.

Core earnings (being the profit excluding the fair value gains on investment properties and foreign exchange gains and losses on financing activities during the period under review) for the six months ended 30 June 2018 reached approximately RMB1,227 million (for the six months ended 30 June 2017: approximately RMB972 million), increased by approximately 26.2% as compared with that in the corresponding period in 2017.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

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

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB13,821 million in total as at 30 June 2018 (as at 31 December 2017: approximately RMB9,962 million).

Borrowings

Total borrowings of the Group as at 30 June 2018 was approximately RMB44,396 million (as at 31 December 2017: approximately RMB35,536 million), representing an increase of approximately 24.9%. The Group's borrowings comprise bank and other borrowings of approximately RMB22,995 million, corporate bonds of approximately RMB11,462 million, short-term commercial papers of approximately RMB300 million, convertible bonds of approximately RMB1,678 million and senior notes of approximately RMB7,961 million.

Out of the total borrowings, approximately RMB13,751 million was repayable within one year, while approximately RMB30,645 million was repayable after one year.

On 13 February 2018, the Company issued zero coupon guaranteed convertible bonds with an aggregate principal amount of HK$1,990,000,000. The maturity date of the convertible bonds is 11 February 2019. The bondholder has the right to convert the principal amount of the convertible bonds into ordinary shares of HK$0.01 each of the Company at any time starting from 41 days after the closing date to seven days before the maturity date at an initial conversion price of HK$5.4463 per share. Please refer to the announcements of the Company dated 30 January 2018 and 9 February 2018 for further details.

On 17 April 2018, the Company issued senior notes at 99.204% discount in an aggregate amount of USD350 million, with a nominal interest rate of 6.95% per annum and maturity date of 17 April 2021. Please refer to the announcements of the Company dated 10 April 2018 and 18 April 2018 for further details.

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

On 26 April 2018, Shanghai Powerlong Industrial Development Co., Ltd., a wholly-owned subsidiary of the Company, issued the first tranche of super short-term commercial paper for the year 2018 in an aggregate amount of RMB300 million, with a nominal interest rate of 6.25% per annum and maturity date of 22 January 2019. Please refer to the announcements of the Company dated 27 April 2018 for further details.

Net Gearing Ratio

As at 30 June 2018, the Group had a net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of approximately 100.4% (as at 31 December 2017: approximately 86.8%).

Borrowing Costs

Total interest expenses for the six months ended 30 June 2018 amounted to approximately RMB1,248 million (for the six months ended 30 June 2017: approximately RMB871 million), representing an increase of approximately 43.3% as compared to the corresponding period in 2017. The increase was mainly due to the increase in total borrowings of the Group during the period. The effective interest rate further decreased from approximately 6.09% in the corresponding period for 2017 to approximately 5.95% for 2018, which was due to stringent control over finance costs. 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 30 June 2018, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of approximately RMB37,856 million (as at 31 December 2017: RMB33,590 million) to secure borrowings of the Group. The total secured bank and other borrowings as at 30 June 2018 amounted to approximately RMB22,995 million (as at 31 December 2017: approximately RMB18,769 million). The above senior notes are guaranteed by certain non-PRC subsidiaries and non-PRC joint ventures and secured by shares pledges of these non-PRC subsidiaries and non-PRC joint ventures.

Contingent Liabilities

As at 30 June 2018, the Group had no significant contingent liabilities.

Financial Guarantees

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

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**10,895,522**	11,378,429
Guarantees for borrowings of joint ventures	**240,000**	1,519,000
	11,135,522	12,897,429

Commitments

(1) *Commitments for property development expenditures*

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Contracted but not provided for		
– Property development activities	**5,400,294**	4,132,025
– Acquisition of land use rights	**3,026,114**	46,660
	8,426,408	4,178,685

(2) *Operating leases commitments*

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

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Not later than one year	**4,851**	5,249
Later than one year and not later than two years	**1,103**	863
Later than two years and not later than three years	**683**	102
	6,637	6,214

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. The major non-RMB financial assets or liabilities as at 30 June 2018 are the Group's borrowings denominated in US$ or HK$ totalling approximately RMB10,454 million. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pay to shareholders outside the PRC. The Group currently does not engage in hedging activities designed or used 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

During the six months ended 30 June 2018, the Group did not have any material acquisition or disposal.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2018, the Group employed a total of 10,242 full-time employees (as at 31 December 2017: 9,718 employees). The total staff costs of the Group incurred during the period under review was approximately RMB592 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 training programs for its staff to improve their skills and develop their respective expertise.

INTERIM DIVIDEND

Payment of Interim Dividend

The Board of Directors declared an interim dividend of HK$6.8 cents per ordinary share for the six months ended 30 June 2018, increased by approximately 25.9% over the corresponding period in 2017.

The interim dividend will be paid on or around Thursday, 15 November 2018 to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on Tuesday, 6 November 2018.

Closure of Register of Members

For the purpose of ascertaining Shareholders' entitlement to the interim dividend for the six months ended 30 June 2018, the register of members of the Company will be closed from Thursday, 1 November 2018 to Tuesday, 6 November 2018, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be qualified for the interim dividend for the six months ended 30 June 2018, all transfer documents, accompanied by the relevant share certificates, must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 31 October 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 six months ended 30 June 2018. No incident of non-compliance was noted by the Company to date. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with guidelines on securities transactions on no less exacting terms than the Model Code for the six months ended 30 June 2018.

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 six months ended 30 June 2018.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhance 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 the applicable code provisions contained in Appendix 14 of the Listing Rules for the six months ended 30 June 2018. Further information about the corporate governance practices of the Company will be set out in the interim report of the Company for the six months ended 30 June 2018.

AUDIT COMMITTEE

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

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2018 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 best knowledge of the Directors, throughout the six months ended 30 June 2018 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 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

The interim report of the Company for the six months ended 30 June 2018 is to be despatched to the 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.

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

Hong Kong, 22 August 2018

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. Zhang Hong Feng; 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.