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)

2018 ANNUAL RESULTS ANNOUNCEMENT

SUMMARY OF RESULTS

- For the year ended 31 December 2018, contracted sales amounted to approximately RMB41,036 million, representing an increase of approximately 96.5% as compared with the corresponding period in 2017.

- For the year ended 31 December 2018, revenue amounted to approximately RMB19,594 million, representing an increase of approximately 25.7% as compared with the corresponding period in 2017.

- For the year ended 31 December 2018, rental income and income from property management services amounted to approximately RMB2,249 million, representing an increase of approximately 24.7% as compared with the corresponding period in 2017.

- For the year ended 31 December 2018, gross profit margin amounted to 38.5%, representing an increase of approximately 5 percentage points as compared with the corresponding period in 2017.

- For the year ended 31 December 2018, core earnings amounted to approximately RMB2,579 million, representing an increase of approximately 35.2% as compared with the corresponding period in 2017.

- The board (the "**Board**") of directors (the "**Directors**") recommends the payment of a final dividend of HK$23.2 cents per ordinary share for the year ended 31 December 2018. Together with the interim dividend of HK$6.8 cents per ordinary share for the six months ended 30 June 2018 paid on 15 November 2018, the total dividend for the year ended 31 December 2018 amounted to HK$30 cents per ordinary share, representing an increase of approximately 20.0% as compared with the corresponding period in 2017.

The Board of Powerlong Real Estate Holdings Limited (the "**Company**" or "**Powerlong**") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018, together with comparative figures for the year ended 31 December 2017, as follows.

CONSOLIDATED BALANCE SHEET

		31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**3,370,562**	3,528,545
Land use rights		**1,181,965**	1,059,237
Investment properties	*4*	**45,659,136**	39,217,669
Investments accounted for using the equity method		**4,127,443**	4,187,143
Deferred income tax assets		**499,343**	367,842
Financial assets at fair value through other comprehensive income ("**FVOCI**")		**348,461**	–
Available-for-sale financial assets		**–**	462,507
Prepayments		**–**	1,207,135
		55,186,910	50,030,078
Current assets			
Properties under development		**32,350,267**	10,344,885
Completed properties held for sale		**9,442,602**	10,416,531
Contract assets		**6,967**	–
Trade receivables	*5*	**1,519,989**	1,457,457
Other receivables		**14,732,697**	8,735,727
Prepayments		**2,014,617**	4,149,405
Prepaid taxes		**727,215**	365,417
Financial assets at fair value through profit or loss ("**FVPL**")		**297,565**	28,953
Restricted cash		**935,935**	575,538
Cash and cash equivalents		**14,839,776**	9,386,757
		76,867,630	45,460,670
Total assets		**132,054,540**	95,490,748

		31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**1,164,125**	2,066,162
Other reserves		**681,076**	656,982
Retained earnings		**25,442,263**	22,614,113
		27,287,464	25,337,257
Perpetual Capital Instruments		**1,552,254**	1,722,363
Non-controlling interests		**3,965,222**	2,414,569
Total equity		**32,804,940**	29,474,189
LIABILITIES			
Non-current liabilities			
Borrowings	*6*	**34,380,408**	25,780,008
Other payables	*7*	**206,007**	–
Deferred income tax liabilities		**6,130,190**	4,733,771
		40,716,605	30,513,779
Current liabilities			
Trade and other payables	*7*	**20,725,848**	17,208,103
Advances from customers		**–**	3,818,693
Contract liabilities		**16,444,184**	–
Current income tax liabilities		**6,642,105**	4,720,124
Borrowings	*6*	**12,977,220**	9,755,860
Convertible bonds		**1,743,638**	–
		58,532,995	35,502,780
Total liabilities		**99,249,600**	66,016,559
Total equity and liabilities		**132,054,540**	95,490,748

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**19,593,790**	15,592,641
Cost of sales	*8*	**(12,041,179)**	(10,367,557)
Gross profit		**7,552,611**	5,225,084
Fair value gains on investment properties – net	*4*	**2,500,520**	2,135,356
Selling and marketing costs	*8*	**(785,914)**	(500,091)
Administrative expenses	*8*	**(1,480,700)**	(895,081)
Other income and gains – net	*9*	**216,369**	558,174
Operating profit		**8,002,886**	6,523,442
Finance costs – net	*10*	**(1,376,659)**	(572,618)
Share of profit of investments accounted for using the equity method		**187,234**	197,359
Profit before income tax		**6,813,461**	6,148,183
Income tax expense	*11*	**(3,165,812)**	(2,280,440)
Profit for the year		**3,647,649**	3,867,743
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax		**–**	30,193
Currency translation differences		**15,079**	(16,258)
Items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax		**158**	–
Total other comprehensive income for the year, net of tax		**15,237**	13,935
Total comprehensive income for the year		**3,662,886**	3,881,678

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Profit attributable to:			
Owners of the Company		**2,837,007**	3,336,752
Holders of Perpetual Capital Instruments		**123,045**	117,017
Non-controlling interests		**687,597**	413,974
		3,647,649	3,867,743
Total comprehensive income attributable to:			
Owners of the Company		**2,852,244**	3,350,687
Holders of Perpetual Capital Instruments		**123,045**	117,017
Non-controlling interests		**687,597**	413,974
		3,662,886	3,881,678
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)	*12*		
– Basic		**70.973**	84.108
– Diluted		**66.397**	84.064

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

(i) Compliance with HKFRSs and HKCO

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

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which are carried at fair value.

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

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

Save for the impact of adoption of HKFRS 9 and HKFRS 15 set out in Note 2, the adoption of other new and amended standards and interpretations did not have any material impact on the consolidated financial statements of the Group.

(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 the year ended 31 December 2018 and have not been early adopted by the Group:

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

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

(a) HKFRS 16, 'Leases'

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

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

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

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

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

2 CHANGES IN ACCOUNTING POLICIES

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

As explained in Note 2.1 and 2.2, HKFRS 9 and HKFRS 15 were adopted by the Group without restating comparative information. As a result of the changes in the Group's accounting policies certain reclassifications and adjustments are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

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

Consolidated balance sheet (extract)	31 December 2017 As originally presented *RMB'000*	HKFRS 9 *RMB'000*	HKFRS 15 *RMB'000*	**1 January 2018 Restated** ***RMB'000***
Non-current assets				
FVOCI	–	342,250	–	**342,250**
Available-for-sale financial assets *(Note 2.1)*	462,507	(462,507)	–	**–**
Current assets				
FVPL *(Note 2.1)*	28,953	120,257	–	**149,210**
Current liabilities				
Advances from customers	3,818,693	–	(3,818,693)	**–**
Contract liabilities	–	–	3,818,693	**3,818,693**
Equity				
Retained earnings	22,614,113	30,193	–	**22,644,306**
Other reserves	656,982	(30,193)	–	**626,789**

2.1 Adoption of HKFRS 9

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

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

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

Classification and measurement

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

Reclassification from AFS to FVPL and FVOCI

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

Impairment of financial assets

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

- Trade receivables and contract assets
- Other receivables

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

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

(i) Trade receivables and contract assets

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

(ii) Other receivables

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

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.

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

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

Presentation of contract liabilities

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

Accounting for property development activities

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

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

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 considers most of the Group's consolidated revenue and results are attributable to the market in the People's Republic of China (the "**PRC**") and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Sales of properties	**16,667,415**	13,301,879
Rental income of investment properties	**1,123,555**	856,203
Income of property management services	**1,125,083**	947,888
Income of other property development related services	**677,737**	486,671
	19,593,790	15,592,641

(a) Segment results represent the profit earned by each segment without other income and gains-net, unallocated operating costs, finance costs-net, share of profit of investments accounted for using the equity method and income tax 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 2018 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Gross segment revenue	16,667,415	1,123,555	1,277,365	677,737	–	19,746,072
Inter-segment revenue	–	–	(152,282)	–	–	(152,282)
Revenue	16,667,415	1,123,555	1,125,083	677,737	–	19,593,790
Share of post-tax profits of joint ventures	102,767	–	–	–	–	102,767
Share of post-tax loss of associates	85,323	–	–	(856)	–	84,467
Segment results	5,653,640	3,122,393	122,515	(112,944)	–	8,785,604
Other income and gains – net						216,369
Unallocated operating costs						(811,853)
Finance costs – net						(1,376,659)
Profit before income tax						6,813,461
Income tax expenses						(3,165,812)
Profit for the year						3,647,649
Depreciation	60,825	–	6,091	133,433	–	200,349
Amortisation of land use rights recognised as expenses	–	–	–	33,117	–	33,117
Fair value gains on investment properties – net *(Note 4)*	–	2,500,520	–	–	–	2,500,520

The segment results and other segment items included in the profit for the year ended 31 December 2017 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Gross segment revenue	13,301,879	856,203	1,032,255	486,671	–	15,677,008
Inter-segment revenue	–	–	(84,367)	–	–	(84,367)
Revenue	13,301,879	856,203	947,888	486,671	–	15,592,641
Share of post-tax profits of joint ventures	223,863	–	–	–	–	223,863
Share of post-tax loss of associates	(25,372)	–	–	(1,132)	–	(26,504)
Segment results	4,142,160	2,510,693	115,438	(104,088)	–	6,664,203
Other income and gains – net						558,174
Unallocated operating costs						(501,576)
Finance costs – net						(572,618)
Profit before income tax						6,148,183
Income tax 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 *(Note 4)*	–	2,135,356	–	–	–	2,135,356

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

(b) Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2018 and capital expenditure for the year then ended are as follows:

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management services** *RMB'000*	**Other property development related services** *RMB'000*	**Elimination** *RMB'000*	**Group** *RMB'000*
Segment assets	**69,471,350**	**47,870,178**	**1,752,372**	**4,814,650**	**(5,325,247)**	**118,583,303**
Other assets						**13,471,237**
Total assets						**132,054,540**
Segment assets include:						
Interests in joint ventures	**3,151,990**	**–**	**–**	**–**	**–**	**3,151,990**
Interests in associates	**929,568**	**–**	**–**	**45,885**	**–**	**975,453**
Segment liabilities	**28,955,446**	**2,771,337**	**1,027,149**	**3,807,519**	**(5,325,247)**	**31,236,204**
Other liabilities						**68,013,396**
Total liabilities						**99,249,600**
Capital expenditure	**74,778**	**4,091,436**	**2,553**	**297,151**	**–**	**4,465,918**

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

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Segment assets	41,737,622	40,820,717	1,156,859	4,331,461	(4,567,727)	83,478,932
Other assets						12,011,816
Total assets						95,490,748
Segment assets include:						
Interests in joint ventures	3,602,736	–	–	–	–	3,602,736
Interests in associates	537,795	–	–	46,612	–	584,407
Segment liabilities	14,165,947	2,038,247	1,022,212	3,591,986	(4,567,727)	16,250,665
Other liabilities						49,765,894
Total liabilities						66,016,559
Capital expenditure	493,579	1,929,245	33,083	307,145	–	2,763,052

Segment assets are reconciled to total assets as follows:

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

Segment liabilities are reconciled to total liabilities as follows:

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

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

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

Segment liabilities consist of operating liabilities.

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

4 INVESTMENT PROPERTIES

	Completed investment properties *RMB'000*	Investment properties under construction *RMB'000*	Total *RMB'000*
Year ended 31 December 2018			
At 1 January 2018	**34,145,966**	**5,071,703**	**39,217,669**
Additions	**261,103**	**3,830,333**	**4,091,436**
Transfers	**3,393,406**	**(3,393,406)**	**–**
Fair value gains – net	**1,722,703**	**777,817**	**2,500,520**
Transfer to completed properties held for sale – net	**(128,205)**	**–**	**(128,205)**
Disposals	**(22,284)**	**–**	**(22,284)**
At 31 December 2018	**39,372,689**	**6,286,447**	**45,659,136**
Year ended 31 December 2017			
At 1 January 2017	31,157,718	3,195,679	34,353,397
Additions	75,981	1,853,264	1,929,245
Consolidations of entities previously held as joint ventures	–	709,954	709,954
Transfers	1,047,474	(1,047,474)	–
Transfers from completed properties held for sale	503,087	–	503,087
Fair value gains – net	1,775,076	360,280	2,135,356
Disposals of a subsidiary	(382,413)	–	(382,413)
Disposals	(30,957)	–	(30,957)
At 31 December 2017	34,145,966	5,071,703	39,217,669

5 TRADE RECEIVABLES

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

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

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

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

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

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

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

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

6 BORROWINGS

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

7 TRADE AND OTHER PAYABLES

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

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

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

8 EXPENSES BY NATURE

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

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

9 OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Fair value gains on the remeasurement of investments in joint ventures	**11,846**	282,450
Interest income	**166,947**	158,931
Investment gain from derivative financial instruments	**–**	71,775
Fair value gains on financial assets at fair value through profit or loss	**7,744**	15,089
Gains on disposal of investment properties	**6,096**	14,756
Gains on disposal of financial assets at fair value through profit or loss	**–**	9,526
Dividend income of financial assets at fair value through profit or loss	**1,586**	1,949
Exchange losses – net	**(3,305)**	(3,391)
Others	**25,455**	7,089
	216,369	558,174

10 FINANCE COSTS – NET

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

11 INCOME TAX EXPENSES

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

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.

12 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year (excluding ordinary shares purchased by the Group and held for Share Award Scheme for year ended 31 December 2017).

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

(b) Diluted

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

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

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

13 DIVIDENDS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the year under review, the Chinese government pursued "different policies for different cities" where focus was shifted to the structural adjustment of mid- to long-term demand and supply. In 2018, maintaining a stable and healthy development of the long-term effective mechanism of the real estate market was the keynote of the PRC real estate industry. In terms of the PRC land market in 2018, trading prices of land parcels in more than half of the cities experienced a decrease, while land transactions mainly took place in the third-tier and the fourth-tier cities. From the perspective of the PRC real estate trading market, sales area, sales amount and average selling price of commodity properties all recorded a historical high. The transactions in the first-tier cities remained continuously stable, while those in the second-tier and the third-tier cities saw reasonable recovery, with an overall generally stable trading size. Faced with opportunities and challenges, property developers are taking an active approach in adapting to the new market cycle, making efforts in optimizing the market layouts and product offerings, in order to achieve stability and growth in the transition period.

BUSINESS REVIEW

For the year ended 31 December 2018, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) property management services; and (iv) other property development related services. During the year under review, property development remained as the main revenue stream of the Group.

Property Development

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

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

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

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

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

Property Investment and Property Management Services

To generate a stable and recurring income, the Group also retained and operated certain commercial properties for leasing. As at 31 December 2018, the Group had an aggregate gross floor area ("**GFA**") of approximately 4,817,380 square meters (2017: approximately 4,345,577 square meters) held as investment properties (including properties completed and under construction), representing an increase of approximately 10.9% as compared with 2017.

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

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

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

Hotel Business

The Group continued to develop its hotel business as a source of its long-term recurring income with core businesses in operating international branded hotels and self-owned branded chain hotels.

As at 31 December 2018, the Group owned nine international branded hotels, namely Le Meridien Shanghai Minhang (上海閔行寶龍艾美酒店), Radisson Blu Shanghai Pudong Jinqiao (上海寶龍麗笙酒店), Radisson Exhibition Center Shanghai (上海國展寶龍麗筠酒店), Four Points by Sheraton Taicang (太倉寶龍福朋喜來登酒店), Four Points by Sheraton Tai'an (泰安寶龍福朋喜來登酒店), Four Points by Sheraton Qingdao, Chengyang (青島城陽寶龍福朋喜來登酒店), Aloft Haiyang (海陽雅樂軒酒店), Aloft Yancheng (鹽城雅樂軒酒店), Wyndham Grand Plaza Royale Powerlong Fuyang (阜陽寶龍溫德姆至尊豪廷大酒店), and owned and managed eight self-owned branded chain hotels, namely ARTELS Qingdao (青島寶龍藝築酒店), ARTELS Anxi (安溪寶龍藝築酒店), ARTELS+ Huaian Jiangsu (江蘇淮安藝悦酒店), ARTELS+ Fuyang Hangzhou (杭州富陽藝悦酒店), ARTELS+ Collection Lingang Shanghai (上海臨港藝悦精選酒店), ARTELS+ Collection Hechuan Chongqing (重慶合川藝悦精選酒店), ARTELS+ Wujing Shanghai (上海吳涇藝悦酒店) and JUNTELS Binjiang Hangzhou (杭州濱江藝珺酒店).

During the year under review, the Group was committed to developing its self-owned branded artistic hotels with three major product lines, while successfully managing its traditional international branded hotels. The Group had gradually established a unique self-owned branded hotel chain to explore the integration of the hotel operation industry and the culture industry.

Land Bank Replenishment

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

As at 31 December 2018, the Group had a quality land bank amounting to a total GFA of approximately 21.2 million square meters, of which approximately 12.8 million square meters were properties under development and construction and approximately 8.4 million square meters were properties held for future development. The land bank under development will be used for the development of large-scale commercial and residential properties with cinema complexes, supermarkets, food courts, sports and leisure facilities, quality residential properties, serviced apartments, office buildings and hotels. Currently, approximately two-thirds of the land bank of the Group is located in the Yangtze River Delta region.

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

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

Name of project	Usage	Site area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Nanjing Lot G71 Project (南京G71地塊項目)	Residential	87	216.6	30.0%
Yongkang City Jiefang Street Commercial and Residential Project (永康市解放街商住地塊項目)	Commercial & residential	69	218.5	28.7%
Xuzhou Feng County Beihuan Road Project (徐州豐縣北環路地塊項目)	Commercial & residential	196	490.7	100.0%
Zhenjiang Runzhou Tanshan Road Project (鎮江潤州檀山路地塊項目)	Commercial & residential	56	180.3	34.0%
Yiwu Fotangjiangbin Phase 1 Lot 1# Project (義烏佛堂江濱一期1#地塊項目)	Commercial & residential	84	185.4	50.0%
Ningbo-Fenghua Rail Transit Jinhailu Station Terminal Project (寧奉城際鐵路金海路站客運中心地塊項目)	Commercial & residential	46	189.0	82.0%
Yancheng Development Project (鹽城開發項目)	Commercial & residential	186	334.9	65.0%
Huai'an Qingjiangpu Project (淮安清江浦項目)	Commercial & residential	96	216.7	100.0%
Wenzhou Jade World (溫州翡翠天地)	Residential	56	223.6	13.1%
Ningbo Yinzhou Xincheng Shounan Section Lot YZ08-09-15 Project (寧波市鄞州新城區首南地段YZ08-09-15地塊項目)	Commercial & residential	121	361.0	82.0%
Zhoushan Yancang Lot DH-41-01-11, DH-41-01-14 Project (舟山鹽倉DH-41-01-11、DH-41-01-14地塊項目)	Commercial & residential	33	63.0	82.0%
Nanjing Gaochun Phase II (南京高淳二期)	Commercial & residential	39	117.9	82.0%
Zhangzhou Longwen Lantian Project (漳州龍文藍田項目)	Commercial & residential	69	178.1	32.8%
Wenzhou Airport New District Project (溫州空港新區地塊項目)	Commercial & residential	191	344.3	100.0%
Quanzhou Taiwanese Investment Zone Lot S2017-06 Project (泉州台商投資區S2017-06地塊項目)	Commercial & residential	186	482.4	27.1%
Jinjiang Xintang Park Lot P2017-22 Project (晉江新塘園區P2017-22地塊項目)	Commercial & residential	90	268.6	30.0%
Changshu Lot 2018B-010 (常熟2018B-010地塊)	Residential	69	138.3	50.0%
Changshu Guli Town Lot 2018B-015 Project (常熟古裡鎮2018B-015地塊項目)	Residential	67	133.2	95.0%
Ningbo Yuyao North Lot A-1 (寧波余姚北A-1地塊)	Commercial & residential	38	76.6	95.0%
Ningbo Yuyao North Lot A-2 (寧波余姚北A-2地塊)	Commercial & residential	42	83.1	95.0%
Ningbo-Fenghua Rail Transit Jinhailu Station Lot 3-08 Project (寧奉城際鐵路金海路站3-08地塊項目)	Residential	22	55.5	77.9%
Jianshan New District, Haining No. 18147 Lot Project (海寧18147號尖山新區地塊項目)	Residential	66	92.0	100.0%
Ningde Fuding Nanwan District Lot 905A Project (寧德福鼎南灣片區905A地塊項目)	Commercial & residential	45	136.4	52.2%

Name of project	Usage	Site area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Ningde Fuding Nanwan District Lot 905B Project (寧德福鼎南灣片區905B地塊項目)	Commercial & residential	51	152.1	52.2%
Zhuji Chengxi Business District Lot Project (諸暨城西商務區地塊項目)	Commercial & residential	111	255.5	95.0%
Jinjiang Xintangyuan Lot 2018-20 Project (晉江新塘園2018-20地塊項目)	Commercial & residential	65	150.3	95.0%
Ningbo-Fenghua Rail Transit Jinhailu Station Lot 1-18/21 Project (寧奉城際鐵路金海路站1-18/21地塊項目)	Residential	19	34.2	77.9%
Yiwu International Lugang Logistics Park Lot 1-27 Project (義烏國際陸港物流園1-27地塊項目)	Commercial & residential	82	147.0	65.0%
Yiwu International Lugang Logistics Park Lot 1-34 Project (義烏國際陸港物流園1-34地塊項目)	Commercial & residential	106	211.5	35.0%
Total		2,388	5,736.7	

* Total GFA excludes underground and car parking spaces.

Outlook

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Income of Property Sales

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

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

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

Rental Income from Investment Properties and Income from Property Management Services

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

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

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

Income from Other Property Development Related Services

Income from other property development related services mainly comprises income from hotel operation, and the provision of construction and decoration services. For the year ended 31 December 2018, the Group recorded an income from other property development related services of approximately RMB678 million (2017: approximately RMB487 million), representing an increase of approximately 39.2% as compared with the corresponding period in 2017. It was mainly attributable to the year-on-year increase in income from hotel operation of the Group.

Cost of Sales

Cost of sales mainly represents the direct cost related to the property development of the Group. It comprises cost of land use rights, construction costs and decoration costs as well as other costs. Cost of sales for the year ended 31 December 2018 increased by approximately 16.1% to approximately RMB12,041 million (2017: approximately RMB10,368 million) as compared with 2017, which was mainly due to the increase in the total properties sold and delivered, leading to an increase in the total cost.

Gross Profit and Gross Profit Margin

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

Fair Value Gains on Investment Properties

For the year ended 31 December 2018, the Group recorded revaluation gains of approximately RMB2,501 million (2017: approximately RMB2,135 million), representing an increase of approximately 17.1% as compared with the corresponding period in 2017. The revaluation gains were mainly attributable the increase in the value of the investment properties located in the established business circles.

Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs and administrative expenses for the year ended 31 December 2018 amounted to approximately RMB2,267 million (2017: approximately RMB1,395 million), representing an increase of approximately 62.5% over 2017, mainly attributable to the growth in the Group's business, leading to an expansion in the scale of sales and projects management. The Group will continue to exercise stringent control over expenses and costs whilst striving to continue with the Group's business expansion.

Share of Profit of Investments Accounted for Using the Equity Method

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

Income Tax Expenses

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

Profit Attributable to Owners of the Company

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

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

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

Borrowings

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

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

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

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

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

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

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

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

Net Gearing Ratio

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

Borrowing Cost

Total interest expenses as at 31 December 2018 amounted to approximately RMB2,958 million (2017: approximately RMB2,023 million), representing an increase of approximately 46.2% as compared with the end of 2017. The increase was mainly due to the increase in total borrowings during the year. The effective interest rate increased slightly from 6.29% for 2017 to 6.48% for 2018, due to fluctuation of the capital market. The Group will continue to implement stringent control over finance costs.

Credit Policy

Trade receivables mainly arose from sale and leasing of properties. Receivables in relation to sale and leasing of properties are therefore settled in accordance with the terms stipulated in the sale and purchase agreements and lease agreements, respectively.

Pledge of Assets

As at 31 December 2018, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of approximately RMB55,766 million (2017: approximately RMB33,278 million) to secure borrowings of the Group. The total secured borrowings as at 31 December 2018 amounted to approximately RMB30,168 million (2017: approximately RMB18,769 million). The senior notes issued by the Group were guaranteed by the Group's certain non-PRC subsidiaries and non-PRC joint ventures and secured by shares pledges of such non-PRC subsidiaries and non-PRC joint ventures.

Contingent Liabilities

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

Financial Guarantees

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

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

Commitments

(1) Commitments for property development expenditures

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

(2) Operating leases commitments

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

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

FOREIGN CURRENCY RISK

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is RMB. As at 31 December 2018, the Group's financial assets or liabilities denominated in currencies other than RMB were mainly borrowings denominated in United States dollars or Hong Kong dollars, in the total amount of approximately RMB13,041 million. Any depreciation of RMB would adversely affect the value of any dividends the Group pays to its shareholders outside of the PRC. The Group currently does not engage in any hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

MATERIAL ACQUISITION AND DISPOSAL

For the year ended 31 December 2018, the Group did not have any material acquisition or disposal of subsidiaries and associated companies.

EMPLOYEES AND EMOLUMENT POLICY

For the year ended 31 December 2018, the Group employed a total of 11,042 employees (2017: 9,718 employees) on full time basis. The total staff costs of the Group for the year under review amounted to approximately RMB1,405 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the remuneration level in the industry. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER OF MEMBERS

(a) Attending the 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 Wednesday, 12 June 2019 to Tuesday, 18 June 2019, 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 Tuesday, 11 June 2019.

(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 2018, the register of members of the Company will be closed from Tuesday, 25 June 2019 to Friday, 28 June 2019, 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 2018, 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 Monday, 24 June 2019.

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 enquiry has been made by the Company to all the Directors who have confirmed compliance with the required standard set out in the Model Code for the year ended 31 December 2018. 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 2018.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence in 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 had complied with all applicable code provisions contained in Appendix 14 of the Listing Rules for the year ended 31 December 2018. 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 2018.

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 2018 with the Company's management and 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 2018 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 2018. 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 2018 and up to the date of this announcement, the Company had 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 2018 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 2018 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, 21 March 2019

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.